

THE WEATHER — PARIS: Wednesday, variable with showers...

Table with exchange rates for various countries including Argentina, Austria, Belgium, Canada, Cyprus, Denmark, Egypt, France, Germany, Greece, Hong Kong, India, Israel, Italy, Japan, Jordan, Kuwait, Lebanon, Libya, Luxembourg, Malaysia, Mexico, Netherlands, New Zealand, Norway, Oman, Portugal, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, U.S.A., U.K., U.S.M. Exch., and Yugoslavia.

Sadat Slain by Gunmen in Cairo Attack; Hopes for Mideast Stability Diminish



Security men and armed troops milled around the assassination scene at the military parade area in Cairo on Tuesday minutes after President Anwar Sadat was shot. The president's body was removed by helicopter. A dead security man lies on the ground.

Mubarek Says Policies Will Not Be Changed

By David B. Ortway

Washington Post Service

CAIRO — President Mohammed Anwar Sadat was assassinated Tuesday in a hail of bullets when a group of soldiers participating in a military parade he was reviewing on the outskirts of the capital opened fire on him.

The 62-year-old Egyptian leader was taken by helicopter from the parade grounds in the suburb of Nasser City to a military hospital across the capital.

Shortly before 8 p.m. local time (18:00 GMT), Vice President Hosny Mubarak announced on television that Mr. Sadat had died of his injuries. The exact time of his death was not disclosed, but unofficial reports circulating in the capital as early as 4 p.m. said he was already dead.

The leftist Beirut newspaper Al Liwa said an anonymous telephone caller identifying himself as a spokesman for the "Rejection Front for the Liberation of Arab Egypt" said its secret "Free Officers" branch within Egypt's military carried out the attack. The Associated Press reported.

Paratroop Officer

[The paper said the caller described the "Rejection Front for the Liberation of Arab Egypt" as the military arm of a group formed by former Egyptian Army Chief of Staff Maj. Gen. Saadeddin Shazli (retired) and known as the Egyptian National Front. Gen. Shazli, a paratroop officer, was chief of staff in the early days of the 1973 war with Israel, which Egypt initiated.

[The general's front combined exiled Egyptians from several opposition groups, including the Communist Party. It has vowed to bring down the Sadat regime and revoke the peace treaty Mr. Sadat signed with Israeli Prime Minister Menachem Begin under the sponsorship of the United States in 1979.]

The death of Mr. Sadat came seemed certain to have major repercussions not only inside a shaken Egypt but throughout the Middle East. A Nobel peace prize winner for his historic trip to Jerusalem in 1977 and subsequent treaty with the Israelis, Mr. Sadat had single-handedly turned the course of Arab politics away from war and toward peace with the Arabs' number one enemy, Israel.

Despite Mr. Mubarek's assurances, it is far from certain that Egypt will now pursue with the same vigor and spirit the already troubled peace process that has reached something of an impasse over the Palestinian autonomy issue.

Interim President

Inside Egypt, the repercussions are likely to be far-reaching for its system of limited democracy, which already was being severely tested both by leftist and Islamist fundamentalist opposition groups. Last month, Mr. Sadat had carried out a massive crackdown on both sectarian extremists and secular opposition elements to his regime. Nonetheless, Mr. Mubarek said that Egypt would continue to remain "an island of peace and stability" in the Middle East.

Mr. Mubarek said Sufi Abu Taleh, speaker of the National Assembly, was taking over as interim president until new elections were held within the next 60 days as stipulated under the constitution. He added that Mr. Taleh had declared a state of emergency beginning for one year and had also named him commander in chief of the armed forces.

Mr. Mubarek, 52, called Mr. Sadat "a martyr to peace" and pledged



President Anwar Sadat

that the Egyptian government would abide by all the treaties and agreements entered into during his 11-year regime, including presumably Egypt's peace agreement with Israel and the U.S. sponsored Camp David accords.

"We tell Sadat," said a somber Mr. Mubarek after an emergency Cabinet meeting, "your people will always remember you, will never forget you."

There was no immediate word about funeral arrangements for the slain president, but one government spokesman said he thought the ceremony would be held "in the next few days."

There were conflicting initial reports as to what organization the assassins belonged to. A little-known leftist Egyptian group claimed responsibility abroad, but unofficial army sources here said they believed the men were part of the Gamaal Islamiya, or Islamic Groups, a rightist

(Continued on Page 2, Col. 4)

Begin Hopes Peace Process Will Go On

By William Claiborne

Washington Post Service

JERUSALEM — The assassination of Egyptian President Anwar Sadat plunged Israel into doubt about the future of Middle East peace, as Israeli leaders anxiously sought signals of continuity of the peace process that in 1977 ended three decades of warfare between the two nations.

Israeli Prime Minister Menachem Begin, his voice quivering with emotion, said Tuesday night after an emergency meeting of his senior Cabinet officials that he prayed that the first rapprochement with an Arab world power would not also die at the hands of "the enemies of peace."

Across a broad political spectrum, Israeli leaders expressed shock and outrage over Mr. Sadat's assassination, calling it an affront to the spirit of peace that marked the Egyptian leader's visit to Jerusalem in November, 1977.

But Israeli politicians also warned gravely that the killing in Cairo, on the eighth anniversary of the most painful war Israel has fought with Egypt, may have placed in doubt the final stage of the withdrawal of Israeli forces from the Sinai Peninsula, which Israel captured in the 1967 Six Day War.

Reason for Abrogation

Extremist nationalists in Israel's parliament immediately seized upon the assassination as a reason for abrogating the 1979 Israeli-Egyptian Camp David peace treaty and canceling the withdrawal from the last third of the Sinai, which is scheduled to take place next April 28.

Officially, the government took a moderate posture in response to the official announcement in Cairo that Mr. Sadat had died following an attack on his reviewing stand during the ceremonies marking the anniversary of the October war.

Mr. Begin sequestered himself and his closest advisers for more than four hours in his private residence, refusing to comment on the implications of the slaying until well after the official announcement was issued in Cairo.

Even then, his comments were more of a tribute to Mr. Sadat as a peacemaker and friend than an indictment of Israel's enemies or a dark assessment of the future of peace in the region.

"The criminals assassinated one of the great fighters for peace in our generation," Mr. Begin announced in an occasionally breaking voice. "The people of Israel share in the mourning of the Egyptian people for those who fell victim to the enemies of peace."

Process to Continue

The Israeli prime minister recalled that the entire free world rejoiced over Mr. Sadat's 1977 visit to Jerusalem, and that the world, similarly, would grieve over his death. But, Mr. Begin said, the peace process will continue "as President Sadat would have wished it would continue, despite the efforts of the enemies of peace."

There were similar expressions of cautious optimism from other Israeli leaders, but also indications of doubt over whether Israel can maintain a semblance of momentum for peace without the chief architect of the Camp David process.

Former Foreign Minister Moshe Dayan said that the assassination "puts a very big question mark about the continuation of the peace treaty because of his [Mr. Sadat's] personal role."

"You cannot ignore the personal role of Sadat. If [Vice President] Hosny Mubarak or the others will be as strong as Sadat was and will honor the peace treaty and all the commitments, then I think things will go according to the peace agreement," Mr. Dayan added.

Heir's Tendencies

Former Prime Minister Yitzhak Rabin, now in the Labor Party position of the Knesset, also said that the assassination "will have a lot of influence on the peace process."

"When you make peace with an Arab nation, it is very important with which leader you make the peace, and how long the leader remains in office. It will take some

time until we find out what are the tendencies of his heir," Mr. Rabin said.

Then, in an extraordinary and seemingly bitter indictment of U.S. policy toward the Camp David process, Mr. Rabin added: "I feel I have to sharpen my arguments, against my will, and say that [former President Jimmy] Carter contributed to the downfall of the [of Iran] and the Reagan administration contributed to the downfall of Mr. Sadat."

"The same way as Carter by his insistence on human rights undermined the regime of the shah, in

the present administration one can detect clear signs of moving away from the Camp David agreements.

"The United States did not show interest in the implementation of several aspects of the agreements, including the autonomy talks. The Camp David agreements are in abeyance, and the American administration moved its emphasis from Egypt to Saudi Arabia instead of worrying about autonomy. There is no doubt in my mind that this shift in emphasis weakened Sadat's position in the Arab world as well as inside Egypt," Mr. Rabin said.



President Anwar Sadat, President Jimmy Carter and Prime Minister Menachem Begin are shown as they signed one of two agreements on Sept. 17, 1978, in Washington following negotiations at Camp David on an Israeli-Egyptian settlement.

Outrage, Sadness and Apprehension Expressed in U.S.

By Fred Farris

International Herald Tribune

WASHINGTON — The assassination of President Anwar Sadat, regarded as the keystone of Middle East peace as well as a firm friend of the United States, shocked Washington Tuesday, evoking expressions of outrage and grief and predictions of possibly tragic consequences for the Middle East.

President Reagan read a statement on national television soon after Mr. Sadat's death was officially confirmed in Cairo, expressing America's loss of a friend and the world's loss of "a champion of peace."

Egypt's ambassador to Washington, Ashraf Ghorbal, said in a statement that his government will continue to follow its charted "peace process" with Israel and "continue to fulfill its international obligations." He said the association with the United States "will

remain the cornerstone of our policy."

President Reagan and his aides were reported to be meeting, with one topic of discussion reportedly being whether Mr. Reagan would go to Cairo for the state funeral of Mr. Sadat, who greatly impressed the U.S. president during the Egyptian leader's visit here in July.

One result of the events in Cairo was that at least one Senate opponent of Mr. Reagan's controversial proposal to sell Saudi Arabia AWACS radar planes reversed his position, and action on the plan was delayed in a House committee.

In his statement, read at 2:30 p.m. on the front porch of the White House as his wife Nancy stood at his side, Mr. Reagan said:

"In a world filled with hatred, Mr. Sadat was a man of hope. In a world trapped in the animosities of the past, he was a man of foresight, a man who sought to improve a

world tormented by malice and pettiness."

Those sentiments were echoed by former President Jimmy Carter, who with Mr. Sadat and Israeli Prime Minister Menachem Begin had worked out the Camp David accords bringing peace between Egypt and Israel.

Mr. Carter said in a television interview after the attack but before word of Sadat's death that the Egyptian president was crucial to stability in the Middle East.

"Sadat is bold, courageous, very knowledgeable about strategic interrelationships between those countries [Arabs and Israel] and even those who publicly disagree with him, like the Saudis on occasion, give him support and admiration."

Because official confirmation from Cairo of Mr. Sadat's death was delayed for about seven hours, early American comment was

based on reports of his wounding and probable death.

There was widespread confusion here as conflicting reports of Mr. Sadat's death circulated, including a report to the Senate by Majority Leader Howard H. Baker Jr. of Tennessee that he had been told by Vice President Bush that Mr. Sadat had died. That report later was retracted by the White House because the official announcement from Cairo had not yet been made.

But reports of the death of Mr. Sadat became more numerous and finally were confirmed officially in Egypt.

Tuesday morning, President Reagan, himself wounded in an attempt on his life March 30, sent Mr. Sadat a letter soon after being told at 7:30 a.m. EDT of the attack, calling it "outrageous and tragic" and such violence should befall a man who symbolizes a commitment to peace."

Defense Secretary Caspar W. Weinberger Jr. said that "if anything should happen to him [Mr. Sadat], it would be one of the most serious losses we could have, because he's one of the most stabilizing forces in that very volatile region."

Former President Gerald R. Ford called Mr. Sadat's relationship with Mr. Begin "absolutely essential" to peace, adding: "But what scares most of us is — supposing there should be a tragedy and we should have new leadership in Egypt. We don't know what it would be. It could go in the wrong direction. We need him and we pray for him... His presence and continued leadership is absolutely vital to making continuing progress to a peace settlement in the Middle East."

Meanwhile, at Mr. Reagan's request the House Foreign Affairs Committee postponed its expected rejection of the U.S. sale of

AWACS surveillance planes to Saudi Arabia.

Senate Minority Leader Robert C. Byrd of West Virginia urged Congress to put off all action on the controversial sale because of the Cairo shooting.

And one avowed opponent of the sale, Sen. Orrin Hatch, Republican of Utah, became the first senator to reverse his position and back Mr. Reagan.

"We have to be very concerned about conditions in the Mideast at this time," Sen. Hatch told reporters. "If there is ever a time to support the president, now is that time."

U.S. forces in the Middle East were said to be taking "prudent and necessary" precautions in the wake of the shooting but U.S. officials, who initially said there had been no special alert, later had no comment on suggestions the U.S. 6th Fleet units in the eastern Mediterranean had been put on alert.

Libya, Iranians, PLO Vent Their Exultation

From Agency Dispatches

BEIRUT — The Arab world reacted variously with joy, grief and concern to the news of Egyptian President Anwar Sadat's death. Non-Arab Iran greeted it with satisfaction. Radio Moscow linked the assassination to Mr. Sadat's peace treaty with Israel.

Libya was exultant. In Beirut, Palestinians and leftist Lebanese militias fired guns in the air, rejoicing over the shooting. At the United Nations, hard-line Arab diplomats who had opposed Mr. Sadat had little comment. Diplomats from moderate Arab countries expressed concern that Mr. Sadat's death would aggravate instability throughout Middle East.

Sudan condemned the assassination and said Khartoum stood with the Egyptian government against all forms of conspiracy, sabotage and aggression.

In the Western world, the news met with shock and disbelief. Austria's chancellor, Bruno Kreisky, said: "There is no doubt that the critical situation in the Middle East will get worse after this tragedy."

Courage Cited

French President Francois Mitterrand decried Mr. Sadat as a "man who knew how, with courage and exceptional intelligence, to affect destiny."

West German Chancellor Helmut Schmidt said Mr. Sadat's courage had "risen him heads above many of his contemporaries."

At the Vatican, Pope John Paul II, himself struck by a would-be assassin's bullet five months ago, sent a telegram to Cairo. The pope praised Mr. Sadat as "a man of

peace" who had a "noble vision of reconciliation among peoples."

Radio Moscow linked the assassination to internal opposition to his policies regard "Israel and the United States. Last month, Mr. Sadat expelled the Soviet ambassador; six other diplomats and more than 1,000 technicians for alleged involvement in a plot against him."

Radio Moscow quoted unidentified analysts as saying the shooting stemmed from "discontent of Egyptians with Sadat's foreign and domestic policies, especially the peace treaty with the Israeli aggressor and military cooperation with the United States."

Syrian students and Ba'ath party militants danced in the streets of Damascus chanting "the traitor is dead!" In Beirut, PLO security chief Salah Khalaf, code-named Abu Iyad, said the PLO would "shake the hand of he who pulled the trigger."

In Lebanon, Palestinian guerrillas and their Lebanese leftist allies, who bitterly opposed the U.S.-sponsored Egyptian-Israeli peace treaty signed in 1979, fired rifles, machine guns and even anti-aircraft guns into the air. Witnesses reported seeing at least three people who appeared to have been injured by stray bullets.

"We were not surprised with the news that Sadat had been shot because we had been expecting something like this at any moment now," Abu Iyad said.

Jordan Reserved

In Jordan, there was no official reaction. Official sources who declined to be identified said, "This was expected as a result of President Sadat's separate treaty with

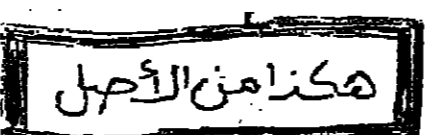
(Continued on Page 2, Col. 1)

OTHER NEWS

POLAND'S SOLIDARITY trade union showed a more radical face at its Congress Tuesday with publication of a tough anti-program and toward approving a resolution condemning recent price rises. Page 3.

PRISON REFORMS FOR ULSTER were announced by Britain, but the government refused a key demand of the Irish nationalists that jailed guerrillas be allowed to associate freely with each other. Page 3.

EUROPEAN CRITICS OF NATO's plans to base U.S. cruise missiles on European soil will gain some ammunition from the Reagan administration's decision to put several hundred cruise missiles aboard submarines, the American commander of NATO forces said.





# 'The Man of Peace' Blended Courage With Flexibility

By Eric Pace  
New York Times Service

NEW YORK — "Sadat! Sadat!" tens of thousands of Cairenes chanted at the grinning figure in the open limousine. "Sadat! The man of peace!"

It was the night of Nov. 21, 1977. Mr. Sadat had just come back from his epochal journey to Jerusalem. Egypt's masses were putting their frenzied seal of approval on what his trip had achieved — an Egyptian-Israeli thaw that set the stage for the peace treaty of 1979.

Suspense had begun building 11 days earlier, when the wily, daring Egyptian leader said in Cairo that he was willing to go to "the ends of the earth," and even to the Israeli parliament, in the cause of peace. Then the Israeli government of Menachem Begin said he was welcome in Jerusalem, and he flew there, although a state of war still existed between Egypt and Israel.

His eyes were moist and his lips taut as he arrived, but his Arabic was firm when he told hushed members of the Israeli parliament: "If you want to live with us in this part of the world, in sincerity I tell you that we welcome you among us with all security and safety."

### Protests in Middle East

Expressions of outrage were already pouring from the hard-line Arab capitals, but Mr. Begin, praising Mr. Sadat's initiative, said: "We the Jews, know how to appreciate such courage."

It took flexibility as well as courage for Mr. Sadat to become the first major Arab leader to proclaim his willingness to accept Israel's existence.

Mr. Sadat's flexibility, he felt, stemmed from his solitary confinement as a political prisoner in cell 54 of the Cairo Central Prison in 1947 and 1948. "My contemplation of life and human nature in that secluded place taught me that he who cannot change the very fabric of his thought will never be able to change reality and will never, therefore, make any progress," he wrote in his memoirs, "In Search of Identity," which appeared in 1978, eight years after he became president.

His conciliatory stand, highlighted by the visit to Jerusalem in 1977, helped bring about the treaty that, after many snags, he and Mr. Begin signed on March 26, 1979, at the White House. Before reaching agreement Mr. Sadat and Mr. Begin had drawn-out, intermittent and sometimes acrimonious negotiations, for which they both won the 1978 Nobel Peace Prize.

The treaty provided that Israel return to Egypt in phases the entire Sinai Peninsula, which it seized in the 1967 war. It also envisaged internal autonomy for the Palestinian Arabs of the Jordan River's West Bank under continued Israeli control.

### Praise From Kissinger

The Egyptian and Israeli governments were helped and prodded by the Nixon and Carter administrations. In dealings with Israel and the United States, Mr. Sadat strove to establish a harmonious mood that would make it difficult for others to disagree with him. His most audacious use of that technique was the Jerusalem visit.

Mr. Sadat's gesture to Israel brought him hatred and vituperation from many Arab leaders and Saudi Arabia cut back its aid to the Egyptian armed forces and the economy.

Yet his isolation in the Arab world did not undercut his domestic support: he profited politically by underscoring the idea, widespread in Egypt, that other Arabs had grown wealthy while the Egyptians had borne the burden of the four Israeli wars.

The Saudi action made Egypt more dependent than ever on support from the United States, with which Mr. Sadat had also been careful to cultivate bonds of friendship. Under his predecessor, the fiery Gamal Abdel Nasser, Cairo's relations with the Americans, as with the Saudis, were hostile much of the time. Mr. Sadat got moral and political support from Washington as well as large-scale economic and military aid.

As president, Mr. Sadat also departed from Mr. Nasser's pro-Soviet stance when, in July, 1972, he ordered the withdrawal of the 25,000 Soviet military

advisers in Egypt. "I wanted to tell the whole world that we are always our own masters," he wrote last month, he expelled the Soviet ambassador and hundreds of technicians.

The changes in the relationship with Washington and Moscow were made after Mr. Sadat concluded that the Arabs could not achieve a satisfactory end to their confrontation with Israel as long as they were allied with the Soviet Union while Israel enjoyed all-out U.S. support.

He was able to make such drastic shifts in part because his power was not seriously challenged at home during his later years as president. A career officer and longtime confidant of Mr. Nasser, he was named vice president in 1969, came out ahead in a brief power struggle after Mr. Nasser's death in 1970 and was formally made president by a rubber-stamp vote of members of the Arab Socialist Union, the only legal political organization. He consolidated and enlarged his power in the spring of 1971 when, with army aid, he forestalled what he said was a coup and arrested his opponents.

Mr. Sadat was widely thought to be popular with the masses, with which, in his highly emotional way, he felt a warm and almost mystic bond.

Early in his presidency, Mr. Sadat enhanced his popularity by eliminating many of the police-state controls that Mr. Nasser relied on to keep power in the years after the officers' revolt that ended the kingdom in 1952.

As an administrator he concerned himself with broad lines of policy and, for the most part, left it to his subordinates to carry it out. Although he was a highly emotional man, he could conceal his true feelings and be extremely devious: He repeatedly lied his way out of trouble when he was a young officer plotting a military revolt, and as president he pulled off a master stroke of deception when he concealed his preparations for the 1973 war, which began with a surprise attack on Israel.

Mr. Sadat had many personal quirks. He disliked offices and rarely appeared at Abdin Palace, the presidential residence in Cairo, preferring to work in his modest villa and in government-owned rest houses around the country. He wore elegantly cut British-style suits, though even as president he liked to stroll around his native village in a long Arab shirt. He never learned to dance. He could be the high-toned statesman one minute, relishing his hobnobbing with other world leaders, and the burly, homely body next, always beginning the day with a dose of Eno's Fruit Salts, a British-made aid to digestion.

Mr. Sadat was divorced from his first wife, who was from his native village; they had three daughters. He is survived by his second wife, Jehan, who has played an active role in public affairs, particularly concerning the lot of women and children; they had four children, a son and three daughters.

### Son of the Soil

Mohammed Anwar Sadat was born Dec. 25, 1918, in Mit Abul Kom, a cluster of mud-brick buildings in Minufiya province between Cairo and Alexandria. He was one of the 13 children of Mohammed Sadat, a government clerk, and his par-Sudanese wife, a heritage manifest in the dark color of Mr. Sadat's skin.

His first schooling was at the hands of a cleric who instilled in him a deep and lasting faith in Islam — so lasting that as an adult Mr. Sadat bore a dark mark on his forehead, the result of repeatedly touching his head to the floor in prayer.

In 1925 the father was transferred to Cairo, and the family moved into a small house on the outskirts of the capital, not far from Kubba Palace, one of the residences of Egyptian kings. Anwar gave early evidence of the audacity he showed in later life, stealing apricots from the royal orchard.

Although the elder Sadat rose to be a senior clerk, the family was poor. In time the schoolboy, like other Egyptians of his generation, came to have a burning political desire: he wanted his country freed of the control of Britain, which had maintained troops there and exercised power in other ways since the decline of Ottoman Turkish power late in the 19th century.



President Anwar Sadat (back to camera) hugged Prime Minister Menachem Begin as President Jimmy Carter looked on after signing the Camp David accords in Washington on Sept. 17, 1978.

Wanting to play a role in Egypt's future, young Sadat decided to become an officer. Despite lackluster schooling, he managed to gain admission to the Royal Military Academy. Graduating in 1938, he was assigned to a signal corps installation near the capital, where, as he later told it, he became active in the formation of an organization of officers who wanted to mount armed revolt against the British.

When World War II broke out, Capt. Sadat continued to look on Britain as the main enemy. He was arrested but released for lack of evidence in one plot. Then he was implicated by two Nazi agents in another plot and sent to a succession of jails, where he polished his English and learned German.

In 1944 Capt. Sadat went on a hunger strike and was transferred to a prison hospital, where he dodged his guard, jumped into a friend's car and escaped. He lived as a fugitive for a year, helping for a time with the formation of an organization of officers who wanted to mount armed revolt against the British.

With the end of the war came the lifting of the martial-law regulations under which Capt. Sadat had been detained, enabling him to resume his real identity. He also resumed plotting against the British and their Egyptian supporters.

He worked for a while in a Cairo publishing house and in 1950 got himself reinstated in the army. He was soon promoted, thanks to help from the dissident officers' clandestine network, the Free Officers Organization, which had been growing in size and power under the leadership of an old friend, Lt. Col. Nasser.

One evening, he found a note from Col. Nasser saying "operations" were beginning that night and directing Maj. Sadat to join the revolutionaries.

"My heart leapt," Mr. Sadat recalled in one of his books, "Revolt on the Nile." "I tore off my civilian clothes and threw on my uniform. In five minutes I was at the wheel of my car." At army headquarters, where the rebels had taken control, Col. Nasser told him to take over the Cairo radio at dawn and to broadcast a proclamation announcing the coup. Maj. Sadat carried out that historic task after waiting for the daily reading from the Koran to be completed.

The revolution led to the exile of King Farouk, the withdrawal of the British troops from Egypt and, before long, the emergence of Mr. Nasser as strongman and president, roles he filled until his death of a heart attack in 1970. Although Mr. Sadat filled various high posts during the Nasser era, and despite his long record of revolutionary activity, his abilities were underestimated by many in the Nasser entourage and for more than a decade he was given a succession of

jobs that were highly visible but of secondary importance.

When Mr. Nasser named Mr. Sadat vice president, it was widely thought that he got the job because it had no real power.

On Mr. Nasser's death, Mr. Sadat, as the only vice president, became acting president. Then and in his first months as president he had to share power with others prominent under Mr. Nasser; some colleagues backed him for the presidency because they thought he could be manipulated.

In those first weeks many ordinary people found it difficult to take him seriously. With his grin, his fancy suits and his frequent hollow-sounding vows to wage war on Israel, he did not seem to be a strong and purposeful leader. He showed his strength of will when, after a few months, he moved to consolidate his power by imprisoning two of the most powerful figures in the regime, Vice President Ali Sabry, who had close ties with Soviet officials, and Shraway Gomaa, who controlled the secret police.

Mr. Sadat enhanced his popularity by displaying and following an intuitive sense of what the masses wanted. He was doing what they wanted when he cut back the powers of the hated secret police, when he ousted the Soviet military experts and when he prepared for war with Israel — even though Golda Meir, Israel's prime minister when he took office, appraised him, as she later wrote, as a "reasonable man who might soberly consider the benefits" of ending the confrontation.

His popularity benefited also from the fairly strong condition of the economy, which had seemed on the brink of disaster after Egypt's catastrophic defeat in the 1967 war. By late 1979 the economic growth rate had reached 9 percent a year and was one of the highest in the developing world, thanks largely to more than \$1 billion a year in U.S. aid.

As the new decade got under way Mr. Sadat seemed confident of his policies, but events seemed to have worsened somewhat: criticism mounted at home and in unfriendly Arab capitals in March, 1980, when the deposed shah of Iran moved to Cairo, where he died that July; Cairo's isolation in the Arab world and, beyond that, in the Third World was galloping, and its almost-total reliance on Washington for food, aid and weapons was a source of concern. Inflation was running at 30 percent a year, there were signs of increasing repression — the recent arrests of Moslem and Coptic fanatics — and Israel's policy of multiplying settlements on the occupied West Bank intensified pessimism.

# Power Vacuum Plunges Mideast Into Deeper Political Uncertainty

By Joseph Fitchett  
International Herald Tribune

PARIS — The death of Anwar Sadat — so often predicted by his extremist foes and so unexpected when it happened — leaves a momentary power vacuum in Egypt, plunging the Middle East into deeper political uncertainty than could any other event short of war.

His assassination — and the disappearance of his political charis-

ma and psychological authority — is a major blow to U.S. policy in the Middle East. Egypt had become a cornerstone of Arab-Israeli peace-making and an increasingly important ally in U.S. military plans for the region. Mr. Sadat also was a vigorous, outspoken opponent of the Soviet Union.

The deep Western concern about the loss of an ally of such stature was reflected last Tuesday in questions pondered by diplomats as they waited for details of developments in Egypt:

- How much of Egypt's peace with Israel will survive Mr. Sadat's death?
- Will a new Egyptian leadership seek legitimacy by moving closer to Arab countries, even the most moderate of which espouse harder-line policies toward Israel than Mr. Sadat's?
- If Mr. Sadat's successor tries to maintain the U.S.-sponsored Camp David accords, will Israel keep its pledge — despite Mr. Sadat's murder — to evacuate fully the Sinai Peninsula next May?

None of these questions is likely to be clearly answered for weeks, until Mr. Sadat's succession is firmly decided in Egypt. Meanwhile the removal of Mr. Sadat and his personal authority as a peace-maker, jeopardizes the Egyptian-Israeli negotiating momentum, leaving greater regional political disarray for policy-makers in the Middle East and in the United States, Europe and the Soviet Union.

### NEWS ANALYSIS

West European governments, which initially criticized Mr. Sadat for putting Egypt's interest ahead of an overall Middle East settlement, including the Palestinian question, had started improving their relations with Egypt as a Palestinian solution proved elusive. Several European officials expressed alarm about the risks of a political stalemate now apparent between Israel and a fragmented Arab world.

Mr. Sadat's death could open the way to a realignment in the Arab world, in which some moderate Arab governments mend their fences with Egypt, the strongest single Arab country.

While widening the moderate Arab consensus, however, any new Arab alliance also carries the risk of Israel citing it as a threat, justifying Israeli retention of eastern Sinai.

Listing risks and a few possible opportunities, several officials said the most explosive imminent contingency was possible Libyan implication in Mr. Sadat's death. Col. Moammar Qadhafi, the Libyan leader, was the most bitter personal enemy of Mr. Sadat, and he — along with some other radical Arabs — gave support to numerous groups

seeking to overthrow the Egyptian regime.

"If the Egyptian leadership decides to blame Col. Qadhafi, I wouldn't exclude a war with Libya, with unforeseeable consequences," a U.S. analyst said, echoing similar statements by several senior European officials.

Soviet support for Libya — and Egyptian criticism of Col. Qadhafi — have hardened in recent weeks since the Gulf of Sidra episode in which two Libyan warplanes were downed by U.S. fighters.

The Reagan administration's first priority now will be to help Vice President Hosny Mubarak — a protégé of Mr. Sadat — consolidate his hold on power. Alarmed by the loss of Mr. Sadat, the United States may well seek to tighten its bonds with other key Arab allies — notably Saudi Arabia, which also has a long and troubled history of difficulties in their relations with Washington.

Mr. Sadat's disappearance is bound to lead the Kremlin to seek a new Soviet opening in Egypt and to revive Soviet influence in the Sudan and other Arab countries closely allied with Egypt.

Moderate Arab governments, notably Saudi Arabia, and the Palestine Liberation Organization, bitterly opposed Egyptian policy but were quietly improving their relations with Mr. Sadat in recent months. They are believed by diplomats to share Western alarm over the diplomatic stagnation — or possible disorder — that could follow his death.

West European alarm

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The Reagan administration's first priority now will be to help Vice President Hosny Mubarak — a protégé of Mr. Sadat — consolidate his hold on power. Alarmed by the loss of Mr. Sadat, the United States may well seek to tighten its bonds with other key Arab allies — notably Saudi Arabia, which also has a long and troubled history of difficulties in their relations with Washington.

Mr. Sadat's disappearance is bound to lead the Kremlin to seek a new Soviet opening in Egypt and to revive Soviet influence in the Sudan and other Arab countries closely allied with Egypt.

Moderate Arab governments, notably Saudi Arabia, and the Palestine Liberation Organization, bitterly opposed Egyptian policy but were quietly improving their relations with Mr. Sadat in recent months. They are believed by diplomats to share Western alarm over the diplomatic stagnation — or possible disorder — that could follow his death.

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# Egypt Vice President Was Groomed to Lead

By Richard Homan  
Washington Post Service

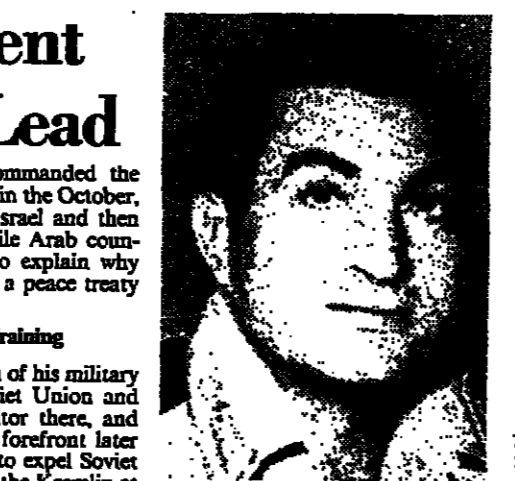
WASHINGTON — Vice President Hosny Mubarak, the former air force general who announced Anwar Sadat's death to the Egyptian people Tuesday and is expected to inherit the presidency, has shown himself to be an energetic and practical leader, loyal to Mr. Sadat's foreign and domestic policies.

Since his appointment as vice president six years ago, it has been clear that Mr. Mubarak was being prepared by Mr. Sadat to assume the presidency. Unlike Mr. Sadat, a vice president virtually unknown outside Egypt when Gamal Abdel Nasser died in 1970, Mr. Mubarak was repeatedly thrust into sensitive international negotiations where he earned a reputation as a capable and accomplished diplomat.

In announcing his president's assassination on Egyptian television in a strong, reassuring voice, Mr. Mubarak pledged to "follow his path," honoring all the treaty commitments made by Mr. Sadat and standing with Egyptians "as one solid front around all the banners [that Mr. Sadat] has raised."

He said that Sufi Abu Taleh, the parliamentary speaker, would be the acting president until the People's Assembly elected a successor. Mr. Mubarak, who already has been nominated by the National Democratic Party to assume the presidency, was to remain in charge of the Egyptian armed forces.

His adherence to Mr. Sadat's policies has forced Mr. Mubarak to make some of the same zig-zags that the assassinated leader made in his decade of power.



Hosny Mubarak

Mr. Mubarak commanded the Egyptian Air Force in the October, 1970, war against Israel and then he tutored a host of Arab countries in an effort to explain why Egypt was entering a peace treaty with the Israelis.

**Soviet Air Training**

He received much of his military training in the Soviet Union and was a frequent visitor there, and then he was in the forefront later of Egyptian moves to expel Soviet technicians and put the Kremlin at arm's length.

In the past 11 months Mr. Mubarak has visited the United States twice, most recently last week to request U.S. military aid to Sudan to help that Egyptian neighbor protect itself from possible harassment by Libya.

Mr. Mubarak was born in 1929 in Mentaha, a village in Mr. Sadat's home region of the Nile Delta.

After Egyptian military training in the late 1940s and early 1950s, he went to the Soviet Union for the first of many visits, to take advanced flight training. He went back for bomber training and later took courses at the Frunze General Staff Academy in Moscow, the top Soviet military training facility.

He held air force command positions in Egypt and from 1967 to 1969 he headed the country's Air Force Academy.

In 1972, Mr. Sadat appointed Mr. Mubarak commander-in-chief of the Egyptian Air Force, replacing a general who had complained about the presence of Soviet military advisers in Egypt. Mr. Mubarak immediately was brought along with Mr. Sadat on a peace-making and arms-shopping trip

to Moscow, and he returned to Moscow a few months later, reportedly to consult about the tactics Egypt later used to launch the 1973 war against Israel.

**Gaining Experience**

When Mr. Sadat promoted Mr. Mubarak to vice president in April, 1975, the air force general had little political and diplomatic experience. Mr. Sadat promptly entrusted him with one sensitive chore after another to give him that experience.

In his first year as vice president Mr. Mubarak mediated the dispute among Morocco, Algeria and Mauritania over the future of the former Spanish Sahara, ending the shooting war if not achieving a political solution.

He also drew the difficult assignment of going to several Arab capitals to explain Egypt's decision to sign the Sinai disengagement agreement with Israel, and he was sent on a landmark mission to Beijing, where he successfully nailed down arms and trade agreements.

The secretary-general of the Arab League, Cheddi Khibi, issued a statement that said: "We hope sincerely that the Egyptian people will overcome all difficulties that it is facing and will restore to Egypt its great and effective national role within the Arab family." Egypt was suspended from the league after signing the peace treaty with Israel.

Iranian state radio hailed the assassination as the death of a traitor and mercenary.

"Anwar Sadat, the mercenary dictator of Egypt joined his old friend Mohammed Reza Shah," the radio said. The Iranian authorities bore Mr. Sadat special animosity because he gave sanctuary to the dying shah after his overthrow.

# Sadat Killed By Attackers At Parade

(Continued from Page 1)

Moslem organization that was a major target of Mr. Sadat's crackdown last month.

Police sources said eight other persons were killed in the attack, including Mr. Sadat's private secretary, Fawzi Abdel Hady; the chief chamberlain, Hassan Allam; the president's official photographer, Mohammed Rashwan; a representative from Oman; the Korean ambassador (it was not clear whether from North or South Korea) and two other unidentified persons, one of them a security guard.

**27 Others Wounded**

In addition, initial reports said 27 others, including eight Egyptians, four Americans and the Belgian ambassador, were wounded in the shooting. Among the Egyptians was Bishop Samuel, whom Mr. Sadat had appointed last month to a committee replacing Pope Shenouda III as patriarch of the Christian Coptic Church.

The attack occurred toward the end of the two-hour parade, which was being held to celebrate what Egypt regards as a victory over Israel in the 1973 Arab-Israeli war, which began on Oct. 6.

The assassins, either civilians dressed in military uniform or regular soldiers, were riding in a Soviet-made truck that was towing a new South Korean long-range artillery piece. There were six of them sitting in the back, though some witnesses thought there were a total of eight involved in the attack.

As the truck drew up parallel to the reviewing stand at about 15 yards distance, it came abruptly to a halt.

Few of the some 2,000 spectators in the reviewing stands took note of the stalled truck because all eyes were riveted on a spectacular air acrobatic show in which Egyptian Mirages were making low passes over the reviewing stand and leaving behind billowing trails of red white and blue smoke.

Suddenly, there was an explosion, seemingly a grenade, and then another as the soldiers in the truck opened fire with bursts of automatic rifle directly on the reviewing stand. Several of the soldiers jumped off the back of the truck and rushed toward the stand firing wildly into the crowd.

As spectators suddenly realized what was taking place and that this was not another parade stunt, pandemonium broke out in the reviewing stands, with everyone rushing for the exits to escape the bullets.

# West's Fears Revived On Mideast Oil Supply

By Axel Krause  
International Herald Tribune

PARIS — Shockwaves registered in Western economic planning circles after President Anwar Sadat's assassination, centering on renewed fears over the future of oil supplies from the Middle East, senior European and U.S. government and business officials said Tuesday.

"We are less vulnerable than in the 1979 Iran crisis, but our Western economies are still very dependent on Mideast oil — that is why Sadat's death raises new and very disturbing fears about energy security," a senior West European government energy planner said.

"With political stability endangered in Egypt and possibly in the Middle East, the underlying support for the area's oil situation also has been changed, perhaps fundamentally," said J. Paul Horne, a European economic analyst for Smith Barney, Harris & Upham, a U.S. securities firm.

Echoing the views of other business, economic and oil industry analysts, Mr. Horne said it was still too early to make precise assessments on how specifically the West's oil supplies might be affected.

The fears and risks expressed by these interviewees centered on what might happen politically during the next few days in Cairo and other Arab capitals, particularly those of OPEC nations such as Saudi Arabia and Kuwait.

"At this point, we are mainly concerned with the potential risks to oil," a senior U.S. government energy planner said.

He added that despite energy diversification and substitution schemes that have been developed during the past few years, Western Europe, the United States and Japan remained "disturbingly vulnerable" on oil, and particularly Middle Eastern and North African supplies.

By the end of this year, oil will account for about 48 percent of Western industrialized nations' primary energy requirements, representing a total 32.9 million barrels a day, according to the Paris-based International Energy Agency.

OPEC nations supply IEA's 21-member nations in Western industrialized nations with roughly 13.5 million barrels of oil each day, with Middle East and North African nations accounting for about 80 percent of that total, agency officials said.

OPEC's proportion in supplying the West's oil has been declining somewhat, as production has grown in such areas as the North Sea and Mexico. IEA officials also said they were sticking with previous estimates that oil would fall to about 37 percent of total energy requirements by 1990 and to around 26 percent by the year 2000, mostly because of conservation and substitution.

But, as a U.S. government official added: "Despite all we are doing, IEA nations still have hanging over them the threat of disturbances affecting our Middle East oil, which Sadat's death reminds us of."

Much of the concern and speculation regarding the future of supplies centered on Saudi Arabia, which now is producing about 9.2 million barrels daily.

# Shazli's Group Opposed Sadat

PARIS — The Egyptian National Front — whose military wing allegedly has claimed Anwar Sadat's assassination — was formed by Gen. Saadeddin Shazli, a paratrooper officer who was the Egyptian chief of staff at the start of the October war when Egyptian troops stormed the Suez Canal, and then was fired by Mr. Sadat.

After the war, Gen. Shazli accused Mr. Sadat of compromising with Israel and taking undue credit for Egypt's military successes.

After Mr. Sadat's trip to Jerusalem in 1977, Gen. Shazli resigned from a diplomatic post to which he had been relegated by Mr. Sadat and formed his opposition group — initially with Libyan financial help and with offices in Libya, Algeria and Lebanon.

In a broadcast over Algerian television Tuesday, Gen. Shazli called on the Egyptian armed forces to "quickly put an end to treason and the alliance with Zionism and imperialism." This appeal for a break with Mr. Sadat's policies and an alliance with more radical Arabs stopped short of accepting responsibility for his murder.

# Enemies Exult as Grief Expressed in West

(Continued from Page 1)

Israel in 1979 and of Sadat throwing himself into the lap of the United States and Israel.

The pro-Soviet Democratic Front for the Liberation of Palestine, in a communique issued in Beirut, said: "Sadat's death is the end to all traitors who sold the land [Palestine] to Israel and America and imposed himself as a dictator on the patient struggling peoples of Egypt."

The Libyan government, calling Mr. Sadat the "head of treason," warned that any successor to the assassinated Egyptian leader would follow the same policies would meet the same fate. The Libyan news agency JANA said in a statement that Mr. Sadat had trampled

upon an Arab nation's honor and surrendered its rights.

The agency denounced what it called Mr. Sadat's "imperialist" policies and said that on the day that he paraded his military forces "the bullets turned toward him and his clique."

**'Dawn of Freedom'**

Libyan state radio exulted over the assassination. "Every tyrant has an end," "Sadat has fallen with all his shame, giving way to a dawn of freedom over Egypt."

Libya's leader, Col. Moammar Qadhafi, never forgave Mr. Sadat for making a separate peace with Israel through the Camp David accords. The two countries fought a brief summer border war in 1977.

# WORLD NEWS BRIEFS

## Iranian Consulate in Istanbul Seized, Ransacked

ANKARA — Opponents of Ayatollah Ruhollah Khomeini shot up and ransacked the Iranian consulate in Istanbul on Tuesday to protest the mounting death toll in Iran after the execution of 61 Mujaheddin dissidents.

A Turkish and an Iranian guard and a consulate employee were wounded in shooting during the consulate seizure, police said. The Iranians then led the consul-general and eight staff members at gunpoint to basement rooms and locked them up. They hung an anti-Khomeini banner on the building, threw out furniture and other property and caused extensive damage. Police surrounded the building, and the siege ended when the 26 Mujaheddin supporters surrendered.

Tehran's Kayhan newspaper reported that 61 more Mujaheddin dissidents were executed in Tehran on Monday.

## Israelis to Probe Ship Mishap on Saudi Coast

JERUSALEM — The Israeli Navy has ordered a court of inquiry to determine how one of its missile boats ran aground at high speed on the Saudi coast, touching off a brief but tense confrontation that was resolved by U.S. diplomatic intervention.

The disclosure in Washington of the bizarre incident, which occurred on Sept. 24, was attributed by Israeli military sources Tuesday to part of a propaganda play by the U.S. administration to gain congressional approval of the sale of AWACS surveillance aircraft to Saudi Arabia by portraying the Saudis as susceptible to U.S. moderating influence in the face of a crisis.

The missile boat, en route from Haifa on the Mediterranean sea to Eilat, at the northern tip of the Gulf of Aqaba, had passed through the Suez Canal and past Ras Mohammed when it ran aground on the Saudi shore opposite the Sinai village of Dahab, about 48 miles (77 kilometers) south of Eilat.

## Unemployment Targeted by Danish Leader

COPENHAGEN — Danish Premier Anker Jorgensen formally opened a new session of the Folketing, or parliament, Tuesday and declared that reducing unemployment was a goal of his government.

Polling to Denmark's jobless rate of 9 percent, the head of the Social Democrat minority government told the 10-party assembly that "first and foremost, we must create more jobs."

Mr. Jorgensen said it was his government's goal to create 50,000 jobs a year through 1985 by continuing to rely on three small parties: the Center Democrats, Social-Liberals, and Christian Party — to help push its programs through.

## SDP Moves Meeting From Scotland to England

BRADFORD, England — Britain's newly formed Social Democratic Party moved its first national conference south Tuesday, from Scotland to England.

The consultative conference, where no votes are being taken, moved to Bradford in northern England after an initial session in Perth, Scotland. Delegates will go to London later this week to complete the conference.

Roy Jenkins, a former Labor minister and one of the party's founding members, told the 700 delegates in Perth Monday that they could form the next government. The party has 18 members in Parliament and says that it has 60,000 members.

## 17 Feared Dead in Crash of Dutch Airliner

ROTTERDAM — A Dutch jetliner flying near a thunderstorm exploded Tuesday night after apparently being hit by lightning; the Dutch news agency reported. All 17 persons aboard were feared dead.

A witness said the plane, a twin-jet Fokker operated by the domestic subsidiary of KLM, exploded and scattered wreckage along the south bank of the Rhine estuary at Moerdijk, south of Rotterdam. The plane had just taken off on a flight from Rotterdam to Eindhoven in the southern Netherlands.

An official of the State Aviation Service said it was feared there were no survivors among the 13 passengers and four crew members on the 65-seat aircraft.

A flight control official at the Schiphol International Airport said, "The plane just disappeared from the radar screen. The pilot did not have a chance to say anything."

## Indochina Refugee Flow to U.S. Breaks Record

GENEVA — The Intergovernmental Committee for Migration said Tuesday it flew a record number of 20,605 Indochinese refugees from Southeast Asia to the United States last month.

It was the largest monthly total of Indochinese refugees to reach U.S. shores, the agency said.

In addition to the Indochinese refugees, most of whom were Vietnamese boat people, the United States last month admitted 1,535 East Europeans seeking asylum, mostly Poles.



# Militants of Solidarity Gain in Voting; Draft Of Policy Toughened

By Brian Mooney  
*Reuters*  
 GDANSK, Poland — The Solidarity free trade union congress showed a more radical face Tuesday with publication of a tough draft program and election results showing successes for militants.

The congress, in its 11th day, was also expected to approve a resolution condemning recent price rises, which included a 100-percent increase in the price of cigarettes.

With elections of the 69 contested places on the union's policy-making national commission almost complete, there were indications that Solidarity's moderate leader, Lech Walesa, would be isolated by a majority that espoused a tougher, more radical line.

Mr. Walesa ran into serious trouble from his own colleagues Monday night, only three days after being re-elected as the union's national chairman. He was rebuked for inconsistency and submission to the authorities in a "cigarette war" that had erupted into a major row at the congress and provoked protests across the country.

**Searching for a Response**

Charging that the government did not consult the union on the rises, delegates have voted down four resolutions and refused to consider 10 others in their search for a determined response to the Communist authorities.

Many of the resolutions proposed strike action, and a big electrical appliances factory in the city of Torun stopped work for one hour Tuesday in a symbolic protest.

The new draft program, described by Communist Party observers as tougher than that submitted at the beginning of the con-

gress, made no mention of Socialism and called for a multiparty system, free elections and social control over the economy.

There have been repeated calls at the congress for Solidarity to take effective control of the economy to cope with a situation which a congress publication said "had driven society to the verge of despair."

**Separation of Powers**

The program called for establishment of a supreme state council through which society, as opposed to the minority Communist establishment, would control the economy. It said it was essential to separate economic power from political power and that while Solidarity favored instituting other political parties, it had no intention of transforming itself into one.

With fewer than half a dozen places on the national commission left to fill, no Communist Party members had been elected.

Among the contenders were Bogdan Lis, generally regarded as Solidarity's third-in-command, and Zbigniew Iwanow, who earlier this year led an unsuccessful drive to bring democracy to the Communist Party at the grass-roots level.

Boleslaw Geremek, Mr. Walesa's moderate adviser, had also failed to win a seat on the commission. But persons associated with the recently disbanded dissident group KOR appeared to have fared better.

The Polish news agency Interpress quoted Solidarity official Henryk Sienkiewicz as saying the congress should end by Wednesday evening, but some delegates say it is more likely to end on Friday.

# Soviet Attacks on Solidarity May Reflect Tactical Review

By Serge Schmemmann  
*New York Times Service*  
 MOSCOW — As the second stage of Solidarity's national convention in Gdansk nears an end, Soviet news outlets have fallen into a pattern of almost daily attacks on the independent Polish union's actions and resolutions.

But while a few months ago many of the Soviet commentaries would have aroused anxiety and apprehension in Poland and the West, diplomats in Moscow find that the repetitiveness and level of the current attacks suggest a sort of holding pattern in the campaign against the Polish labor movement.

The themes regularly sounded by Soviet commentators in recent days include attempts to document what is said to be Solidarity's hostility to the Communist system and charges that the union is bent on seizing power and restoring "bourgeois" order; accusations of anti-Soviet activities at the Gdansk convention; charges that Solidarity's activities are propped and supported by a hostile West; and indirect criticisms of Polish leaders for failing to take any action against the union.

**Congress as Seen by Tass**

Friday's Pravda, for example, carried a Tass dispatch from Warsaw that said that the convention is dominated by the questions of "how and when should Solidarity start the final spurt in the fight for power, how radical the restructuring of the Socialist order existing in Poland and of its alliances should be, and how far Solidarity can afford to go now in violating the constitution, its own charter and the agreements which this association signed with the government."

Another commentary, also in Pravda, detailed at length what the author, Vitaly Korionov, described as the West's "political and ideological subversion against Poland." Mr. Korionov, a prominent commentator, charged that a "special group" exists in the State Department to "create and maintain controlled tension in Poland."

Some of the recent commentaries have made obvious references to the fundamental threat posed by the Kremlin — the possibility of a military intervention. A long excerpt from the Czechoslovak weekly, Trybuna, published in Thursday's Pravda and read in full

on the Soviet radio, compared Solidarity's activities to "counter-revolutions" in Hungary in 1956 and Czechoslovakia in 1968, which were put down by Soviet troops.

**Attempts to Conceal**

Solidarity's assertions of independence, the paper charged, were only attempts to conceal the union's struggle to wrest power from the Communists. "It does not matter," the commentary declared, "whether the counterrevolution is acting openly, as it did in Hungary in 1956, or under the slogan of 'Socialism with a human face,' as in Czechoslovakia in 1968, or is hiding behind the 'independent trade unions' and is trying to operate legally, so to say."

Such ominous comments in the past would have prompted nervous reactions. But references to Hungary and Czechoslovakia have already been made more than once, as have the charges of a bid for power by Solidarity with the help of the West.

The commentaries on the second phase of Solidarity's convention were preceded by a furious barrage at the first, which climaxed with Soviet accusations that the union had indulged in an orgy of anti-Sovietism and anti-Communism. The impact of the public attacks was greatly enhanced by large-scale military maneuvers.

But the denunciations and the show of strength apparently failed to sway the delegates at the Solidarity convention. The current tone of Soviet commentaries, diplomats said, suggests a re-evaluation of tactics and a debate on what to do next.

# San Francisco Told Big Quake Is Coming Soon

*United Press International*  
 STANFORD, Calif. — Earthquake-conscious Stanford University says that the San Francisco Bay area had better get ready for the "big one."

In a new report, the Stanford Committee on Earthquake Preparedness said Tuesday there was a 30-percent chance that a major quake would hit the bay area within the next decade.

The committee said that there has been no great earthquake in the region since the 1906 catastrophe and that potential fault displacement now totals 15 feet.

"The earthquake hazard at Stanford is becoming steadily more severe," said the report, which urged the university to upgrade seismic safety features.

The report said that a major earthquake in the bay area could be expected to kill between 500 and 25,000 people, depending on the magnitude and timing, prior rainfall, the scope and quality of advance preparation and the response of people to the event.

# Canada Is Suspending Some Air Controllers

*United Press International*  
 OTTAWA — The Department of Transport has begun suspending more than 150 air traffic controllers who refused to handle flights between Canada and the United States last August, spokesman Dave Austin announced.

Mr. Austin said Monday that many of the controllers have been told they would be suspended from one to 10 days, depending on their past record and the severity of the offense. He said the review had not been completed and as many as four controllers might be still be fired.



**AIRPORT PROTEST** — A demonstrator watching fellow environmentalists dig ditches and build barricades and huts to protest the construction of a third runway at Frankfurt International Airport. A spokesman for the protesters said that the runway construction would cause 400,000 trees to be cut down and that other damage to the environment would result. About 1,000 policemen moved in Tuesday to clear the several thousand protesters from the scene.

# Reagan Cruise Missile Plan Bolsters Case Of Europe Critics, NATO Commander Says

By Michael Getler  
*Washington Post Service*  
 WASHINGTON — The Reagan administration's decision to put Cruise missiles aboard submarines will provide some ammunition to European critics of earlier NATO plans to base U.S. Cruise missiles on European soil, the U.S. commander of NATO forces has warned.

Speaking Monday at a breakfast meeting with reporters, the commander, Army Gen. Bernard W. Rogers, said in effect that the decision was helpful from the standpoint of showing U.S. resolve, gaining strength for any future arms-control negotiations and complicating the life of any would-be attackers.

**'Strategic Reserve Force'**

As commander of the North Atlantic Treaty Organization, however, he said that the decision caused him concern because it could "fuzz up" the distinction between tactical and strategic nuclear weapons and would provide ammunition to West Europeans already critical of another key NATO plan. Under that plan, agreed to in 1979, U.S.-built Pershing-2 missiles and Cruise missiles would be deployed in Britain, West Germany, Italy and possibly Belgium and the Netherlands.

The decision to deploy several hundred nuclear-armed Cruise missiles aboard U.S. attack submarines is one of the less-publicized aspects of the \$180.3-billion strategic-weapons program unveiled by President Reagan last Friday.

The idea, as explained by the White House, was to use the missiles to help plug gaps in the nuclear balance with Moscow. The missiles would serve as a "strategic reserve force" and as a deterrent to attacks on U.S. naval forces.

The potential problem, however, is that Washington has been pressing the West Europeans not to back away from the 1979 missile deployment plan, which was intended to offset hundreds of new Soviet SS-20 missiles already deployed.

There is considerable political opposition to such deployments, especially in West Germany, Belgium and the Netherlands. The concern now is that the U.S. decision to put other Cruise missiles on submarines will make it easier for critics to argue that the European missiles also should be at sea. State Department officials acknowledged that the recent decision probably will cause some problems in European public opinion.

Gen. Rogers maintained that the Europeans needed to stick to the land-based scheme to show European resolve, alliance cohesion and to share the nuclear risks with the United States.

Without being critical of the specific presidential plan, Gen. Rogers said that anything that diverts attention from the 1979 NATO plan is not helpful.

# NATO Link Is Advocated By Spaniard

*Reuters*  
 MADRID — Foreign Minister José Pedro Pérez-Llorca predicted Tuesday that Spanish officers would have commands on the British colony of Gibraltar if Spain joined NATO.

The minister was speaking at the start of a parliamentary debate on the government's plan to bring Spain into NATO by early next year.

He said the country would gain clear advantages in its efforts to secure the return of Gibraltar from Britain once it became a member of the alliance.

Britain, which captured Gibraltar in 1704, has pledged not to hand over sovereignty to Spain against the wishes of its 30,000 inhabitants, who remain pro-British. A 1980 agreement under which Spain agreed to open the frontier in return for a British pledge to negotiate Gibraltar's future status has not been implemented.

The leftist opposition in Spain is conducting a vocal campaign against Spanish membership of the alliance, and police have broken up three anti-NATO demonstrations in less than a week.

Spanish political analysts say the government is resisting leftist calls for a referendum on the issue and, with support from small conservative and regional parties, seems assured of gaining a comfortable parliamentary majority in favor of Spain becoming NATO's 16th member.

Premier Leopoldo Calvo Sotelo made NATO membership his top foreign policy priority when he took office after a military coup attempt failed last February.

The government argues that joining NATO will end the international isolation Spain suffered during the 40-year dictatorship of Franco and give it a voice in the councils of the democratic West.

The opposition contends that by entering the alliance, Spain will upset the East-West power balance and heighten world tension.

# Afghan Guerrillas Said to Execute 10 Soviet Troops

*United Press International*  
 NEW DELHI — Afghan rebels executed 10 Soviet soldiers who were captured during a weekend Soviet-Afghan government offensive near Kabul at the end of last month, a Western diplomatic source said Tuesday.

The source said that the Soviet soldiers were killed approximately between Sept. 23 and 29, when a large contingent of Soviet and Afghan troops occupied the town of Pagan, 12 miles (19 kilometers) southwest of Kabul.

The source said the 10 Russians were captured during intense fighting and reportedly were executed immediately. The guerrillas also captured 12 Afghan government soldiers and took them higher up in the mountains for trial, the diplomatic source said.

The diplomat said other diplomats based in Kabul also confirmed reports that a high-ranking Soviet military adviser was killed late last month in the southwestern province of Ghazni.

# U.S. Launches 2 Satellites

*The Associated Press*  
 VANDENBERG AIR FORCE BASE, Calif. — A Delta rocket carried two satellites into orbit Tuesday for tests of chemicals in the atmosphere and radio waves in space, the National Aeronautics and Space Administration said.

# Mitterrand, Schmidt to Meet Today

**Bonn Likely to Seek Backing on Missiles**

*Reuters*  
 BONN — Chancellor Helmut Schmidt, under pressure from a leftist "peace movement" at home, is likely to seek backing from French Socialist President Francois Mitterrand at private talks in France Wednesday.

Mr. Schmidt is making a two-day visit to Mr. Mitterrand's country home at Latche, in southwest France, on the eve of a march in Bonn at which up to 150,000 people are expected to demonstrate against plans to station U.S. medium-range missiles in Europe.

Mr. Mitterrand has already signaled strong approval of the chancellor's commitment to deploy the missiles if arms control talks between the United States and the Soviet Union do not achieve a major reduction in Soviet warheads aimed at Western Europe.

Diplomats say the French leader has made statements of support for NATO nuclear strategy largely with the intention of using his influence as a Socialist with wavering in Mr. Schmidt's Social Democratic Party.

Official French sources said they expect that Mr. Schmidt might seek a further public endorsement of his security policy to strengthen his hand in dealing with the peace movement.

**Tougher Stand**

Mr. Mitterrand has taken a tougher public stance toward Moscow than his predecessor, Valéry Giscard d'Estaing, and used his first presidential press conference last month to urge the West to counter the Soviet military challenge.

Diplomatic sources said Mr. Mitterrand shared a concern expressed by U.S. and British officials about pacifist and neutralist tendencies in West Germany and was likely to bring up the issue with Mr. Schmidt.

Both leaders are also likely to offer plans for greater cooperation within the European Economic Community. Bonn is working with Italy on a plan for closer European political union to be presented to next month's London EEC summit meeting.

France's government is also seeking closer collaboration with the Common Market, though it puts its emphasis on social measures such as a reduction in the workweek and in retirement age throughout the EEC.

# Britain Partially Meets IRA Prison Demands

*The Associated Press*  
 BELFAST — Britain's Northern Ireland Secretary James Prior on Tuesday said that convicted Irish Republican Army prisoners can wear their own clothes and will get half the parole time lost through cellblock protests restored if they halt their action.

But, while giving some ground on two of five demands made by the prisoners, he made only partial promises on two other key demands — "free association" in prisons and exemption from penal work.

The concessions went only halfway toward meeting the demands made by jailed members of the overwhelmingly Roman Catholic Irish Republican Army and the Marxist splinter group, the Irish National Liberation Army.

Gerry Adams, vice president of Sinn Fein, political arm of the Irish Republican Army, cautiously welcomed the reforms, but leaders of the province's Protestant majority swiftly condemned the package as a "sellout."

Mr. Adams said: "We haven't read the small print of Mr. Prior's document and essentially, we await a response from the political prisoners."

The Rev. Ian Paisley, leader of the Protestant Democratic Unionist Party, called the reforms "a complete sellout." "It is absolutely disastrous," he said.

Mr. Prior, announced the changes three days after the IRA prisoners called off their seven-month hunger strike campaign for reforms amounting to political status. Since March 1, 10 men have starved themselves to death at the maximum-security Maze prison near Belfast.

Mr. Prior called the package a "take-it-or-leave-it" offer and said that reforms will apply to all 2,500 prisoners, Protestants and Roman Catholics, including ordinary criminals. The changes were approved by Prime Minister Margaret Thatcher and her Cabinet.

"There will be no question of a political or military system of administration," Mr. Prior said, "or any return to 'special category' status" for jailed IRA members. That status was abolished by Britain in March 1976.

Mr. Prior refused to allow the IRA men the right of "free association" within Maze's H-shaped, 25-cell blocks, but hinted at the possibility of "prisoners in adjacent wings" being allowed to have limited "association in recreation rooms and exercise areas."

Under a 50-percent "remission" rule, prisoners in Northern Ireland who obey prison regulations serve half their sentences. Mr. Prior said that parole would be restored for

protesters if they did not participate in any protests for three months. This would bring almost immediate release for about 150 IRA and INLA men at Maze and 20 women at Armagh women's prison, officials said.

The IRA prisoners had also demanded exemption from mandatory prison work. Mr. Prior said that prison work could be redefined to include educational pursuits.

The minister made no specific mention of the fifth demand that the prisoners receive more mail and visitors each week. The government had said earlier that non-protesting prisoners already receive more of both.

# Arab League Receives A Dutch Office Permit

*Reuters*  
 THE HAGUE — The Netherlands has given the Arab League the go-ahead to open an office in The Hague, a Foreign Ministry spokesman said Monday night.

The Arab League, which includes the Palestine Liberation Organization, has similar offices in London, Bonn, Paris and Brussels.

The European Economic Community has been trying for years to forge closer cooperation with Arab countries within the framework of a so-called Euro-Arab dialogue.

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## Sadat and Great Questions

It is hard to conceive of a single act, short of an outbreak of open war, that at this time could more sharply imperil the fragile peace in the Middle East than the assassination of President Anwar Sadat.

The potential consequences of this tragic event are incalculable at the moment. Even were one to assume that the leadership void in Egypt will be quickly and effectively filled, and — even less likely — that Sadat's heirs will continue his Middle Eastern policies, the violent death of Egypt's courageous and visionary leader will almost certainly set in motion forces that are not likely to be controllable, at least in the near future.

It may not matter a great deal whether the assassins represent a mainstream group of significant numbers and influence, or merely an aberrational dissident faction without real support in Egyptian society. It may not even matter what the assassins' motives were, or whether they had the support of an outside power. It is likely that the damage has been done, for one does not see on the horizon a new leader to replace Sadat who has the charisma and determination that Sadat eventually demonstrated after replacing President Nasser a decade ago.

There is time enough to mourn Sadat the

man. History will be a better judge of his policies, foreign and domestic, and especially of his extraordinary visit to Jerusalem and all that has followed. Better now to reflect upon a situation, all too common in today's world, where the fate of so many millions seems to hang by a thread — a handful of leaders here and there whose untimely deaths threaten chaos. How vulnerable we are when so much of the future may depend on whether a bullet strays an inch or two from its intended path, and when there appear to be so many willing to fire the bullet.

In the United States, had President Reagan been less fortunate, there was at least an accepted system and a reasonable consensus to absorb the shock.

Anwar Sadat often said that his most valuable hours were not spent at his desk or in the councils of state, but walking along the Nile contemplating the great questions of his time. And it was by his response to these great questions, he said, that he expected to be judged.

If the judgment is that he left the world in his debt, now is the time for the world's leaders to find a way to pay that debt. There may not be many more opportunities to do so.

INTERNATIONAL HERALD TRIBUNE.

## Reagan and Foreign Aid

One of the better-kept secrets in Washington is that the Reagan administration approves of foreign aid. You'd never guess it from the president's speech last week before the World Bank and the International Monetary Fund, or from Secretary of State Haig's earlier address to the General Assembly. Both advise the world's poor to seek salvation in what Reagan calls "the magic of the marketplace." He praises development aid with faint damns.

There is this much method in Reagan's strategy: Next week he goes to Cancun, Mexico, to talk about aid for global development with 21 other heads of government. He has now forewarned them to expect no sugar-plums. But there is a danger in this hard-nosed tone. It leaves the public and Congress in doubt as to what he really wants.

Formally, the administration strongly supports the World Bank and its president, A.W. Clausen. Haig insists that foreign aid — bilateral and multilateral — is a vital diplomatic tool. Congress has been asked to honor the American commitment to the World Bank and its soft-loan affiliate, the International Development Association.

But when the president makes a speech in which he finds little favorable to say about foreign aid, he sends a signal of indifference. Without vigorous administration lobbying, Congress may cut more than a third from \$3.2 billion pledged to the IDA over four years. A default would be contagious. Other donors in a 34-nation consortium have announced that they would cut back their con-

tributions in proportion to reductions made by the United States.

Considering the stakes, Reagan's nonchalance is remarkable. He gives the impression that helping the IDA is a matter of charity. That is an unfortunate and inaccurate portrayal. Here is how it looks to Clausen, formerly of the Bank of America: "An IDA credit is not a welfare check. It is a productive investment." There has never been a single default on a World Bank loan. These loans have succeeded impressively in stimulating the private investment Reagan prizes.

Another banker, David Rockefeller, argues that developing countries constitute a larger export market for the United States than all the developed nations put together, excluding only Canada. In 1978, he observes, the \$4.8 billion spent for official foreign aid amounted to less than what Americans spent on flowers and plants.

Unarguably, poorer countries could do more to help themselves, and they ought to give a wider role to foreign investment. But private money won't build roads and bridges, it won't teach children, or show farmers how to use fertilizer. Without seed money, investments do not flower.

The ills of the Third World can't be solved by foreign aid. But the free market alone can't solve them either. What aid can do, while helping some, is to promote American security and prosperity. That is a homely truth, but President Reagan has yet to find the tongue to state it.

THE NEW YORK TIMES.

## On Keeping Money Tight

What the United States needs, according to the secretary of the Treasury, is a little more money. It's fine for the Federal Reserve Board to keep a firm hold on the money supply, Donald Regan says, but in his view it would be better not to keep squeezing quite so tightly. You are not to leap to the conclusion that he has any fundamental change of policy in mind. Mr. Regan cautions; he's only talking about a matter of degree. "The end result," he says, "would be a sufficiency of money to enable the economy to recover nicely from its current flat period."

With those words, the administration begins to acknowledge that its defective supply-side strategy shows no signs of working, and that the political risks are rising. Mr. Regan gives the appearance of a man who has caught a faint whiff of smoke and is beginning to wonder, for future reference, where the fire escape might be.

It has been clear from the beginning last winter that the administration's economic plan was an inconsistent attempt to pull in two directions simultaneously. Very tight restraint on the money supply was to bring down inflation, while a huge tax cut was to stimulate economic growth, create jobs and raise incomes. Public policy can make either of these things happen, but not both of them. So far the anti-inflationary part is working quite effectively; the inflation rate is sharply lower than a year ago. But it is not working through any special new magic. It is working through the familiar and costly mechanisms of orthodox economics — growth at zero, or perhaps in a slight recession, and unemployment rising.

Among other ironies, this administration has been telling the world since January that the only real question in its strategy was

whether the Fed would actually have the nerve and stamina to stick with drastic restraint. Now there's a congressional election year ahead, and you will notice that it's not the Federal Reserve that's backing off.

To make its case for easing up on the money supply, the administration points out that one measure of money, known as M-1B, is running below its target range. But all the measures of money are being distorted by the rapid changes in the ways people hold and use their money. They are currently taking it out of conventional checking and savings accounts, which are counted in M-1B, and flinging it into the money market funds, which are not. The money market funds are reflected in something called M-2, which, not to anyone's surprise, is growing faster than its target range. It's a fair conclusion that the Federal Reserve is approximately on target.

For the administration, the choices are just as they have always been. The country can continue to hold tight on the money supply, work the inflation rate down and pay a cost in business failures and lost jobs. Or it can ease up on the money supply, throw the economy into recovery and growth, and begin another wave of inflation.

Unfortunately, the right course is to stick with monetary restraint at least into early 1982. A very large tax cut is now taking effect, and its impact is not entirely predictable. There are risks in either choice, but the greater ones are still in the possibility of renewed inflation. From the beginning, the question has been the administration's reaction when time eventually demonstrated the internal contradiction in its strategy and the real costs that either half of it threatens to impose. That time seems to have arrived.

THE WASHINGTON POST.

## In the International Edition

### Seventy-Five Years Ago

October 7, 1906

LONDON — Though Mr. William Waldorf Astor has not nearly finished his restoration of that old and historic pile known as Hever Castle, in Kent, the work is so far forward that he now finds himself able to take up residence in it. In the ancient village of Hever, to which King Henry VIII so often traveled to woo the ill-fated Anne Boleyn, Mr. Astor has recently been seen superintending the installation of his 20th-century belongings in the castle, and in the brand new Tudor village he has built in his private grounds about it. There is no modern net struck throughout the scattered hamlet of Hever. Mr. Astor, who is keenly interested in every detail of the renovation, has visited every week.

### Fifty Years Ago

October 7, 1931

LONDON — Another of the unemployed riots that appear to be becoming endemic broke out today in the heart of London. A brief but lively battle took place between police and unemployed, the former making a baton charge and the latter retaliating with sticks and stones and whatever weapons were handy. Several persons were injured and a number of arrests were made. In the meanwhile a campaign begins in England tomorrow for what will be one of the most curious elections in British history. Some 29 million voters will be asked to vote for individual parliamentary candidates tagged with labels of three existing parties, but who will stand on platforms as yet vaguely defined.

## This Is No Time for Fanaticism in U.S.-Soviet Rivalry

The writer was deputy secretary of state in the Carter administration.

By Warren Christopher

LOS ANGELES — The United States and the Soviet Union are now engaged in a rivalry that is inexorable, worsening and potentially fatal. The highest obligation of American leadership is to responsibly face the central foreign policy challenge of our time: how to effectively defend American interests in the competition with the Soviet Union while also preserving the peace.

There should be considerable skepticism toward any policy that not only seeks to defend U.S. interests but also aspires to interfere indiscriminately with Soviet interests. Such a policy assumes that anything harmful to the Soviet Union is, on that basis alone, a desirable thing to pursue.

Such a strategy regards an arms race as not only acceptable but also worthwhile. It relies upon superior American technology to keep pace, while forcing the Soviet Union to spend comparatively more from its smaller economy, thus weakening Soviet society. It aims to arm and support Moscow's rivals, especially China, to heighten the pressure. In a nation fond of sports analogies, such a policy might be labeled the "full-court press."

The full-court press approach could make U.S.-Soviet rivalry more dangerous. A strident posture on Washington's part might strengthen those in the Kremlin who favor higher military spending and a more adventurous foreign policy.

There is an alternative. It is not, of course, blanket cooperation or uncritical friendship. It is what I would call "managed competition." Such a strategy would

be selective, entailing choices among various means to protect American interests and influence Soviet behavior.

The selective approach would exclude actions that would be gratuitously harmful to the Soviet Union, actions not related to specific Soviet conduct that the United States seeks to change. It would also avoid inflammatory rhetoric — that having the flavor of a global, moral crusade against the Soviet Union.

### Positive

If America wants to influence Soviet behavior, rather than simply condemn it, some positive inducements need to be available and some negative ones should be held in reserve. For example, before trade with the Soviet Union could be curbed in response to the invasion of Afghanistan, there had to be a meaningful level of trade in the first place.

Too often, some policy-makers forget that there are cases in which the United States and the Soviet Union, despite their rivalry, genuinely have interests in common. The prevention of nuclear war is the most obvious case, and, as part of it, the negotiation of agreements to limit nuclear arms.

Obviously, the United States must bargain hard in arms control negotiations. But such negotiations are not a method to improve the safety of the American people, a worthy objective even if, in the process, the risk is also lessened for the people of the Soviet Union.

A related area of common interest is nuclear nonproliferation, where the Soviet Union has been sensitive to the risk — and con-

siderably more cautious in sharing nuclear technology than some of the Western nations. Cooperation with the Soviets to reinforce restraint among nuclear-supplying countries is in both nations' interests.

Other areas at least deserve thought. For example, America discourages its allies and its own industries from entering into contracts to help the Soviets expand their oil production. Meanwhile, it is developing contingency plans, and rightly so, to defend against a possible Soviet thrust into the Gulf, where it fears that the Soviets would take control of vital energy supplies. All things considered, is it prudent to seek to thwart the Soviets' development of their own energy resources? Is the aim to squeeze them to the point that the encirclement of the Gulf becomes a necessary gamble? Short of that, are they wanted on the world energy market where their actions would cause the price to be raised for everyone?

### Unimaginable

It would be a great mistake if Americans let themselves become mesmerized by the Soviet Union. There are many perils that are not averted by Moscow but still require attention. Such issues as population, pollution, trade and natural resources will have a profound influence on current and future well-being. And that would be true even if Marx had never lived and if the Soviet Union did not exist.

America should not be enthralled by one international challenge, however grave, to the exclusion of all others. It should not concentrate solely on the ways that the two nations compete directly — in arms and alliances and sanctions — to

the point at which more subtle, indirect competition is ignored. A foreign policy spellbound by the Soviet Union will be largely misdirected and widely ineffectual.

There is one indelible reality that some in the administration seem to have underestimated: the unimaginable power of nuclear arms. Responsible leaders in both the United States and the Soviet Union must be constrained by the realization that their frail, human hands hold the power to transform even the world's richest civilizations into rubble. Within hours after the order for an all-out war, hundreds of millions of people, perhaps hundreds of millions, would perish. Whole cities and industries would be demolished. Vast territories would be rendered unfit for human habitation.

Neither side, while inflicting such horror, could prevent the same to itself. Thus derives the strategy of Mutually Assured Destruction — the prevention of nuclear attack through the guarantee that the attacker will be pulverized along with the victim.

It is useful for the leaders and citizens of both the United States and the Soviet Union to think on such dark visions regularly, if only to remind themselves that in a nuclear age, more than at any time in human experience, war would totally consume civilization itself.

The philosopher George Santayana once explained that "fanaticism consists in redoubling your efforts when you have forgotten your aim." This is no time for a foreign policy afflicted by fanaticism. Rather, it is time for an approach that is steady and firm, coolheaded and mature, a time for both vigilance and vision.

©1981, Los Angeles Times.

## After Sadat: At Best, Weeks of Uncertainty

By Robert Bailey

LONDON — Anwar Sadat, the architect of Egypt's peace with Israel, never denied anecdotes that he slept with a pistol under his pillow. He died at the hands of his own troops at a parade commemorating the 1973 war with Israel.

The worry for Sadat's successor, whether or not it is Vice President Hosni Mubarak, is whether the assassination can be seen in isolation or whether it is part of a new movement that will sweep away the existing order.

How much opposition to Sadat has existed in the armed forces is a matter of speculation. With 367,000 men, they are the largest in the Middle East and represent a constant factor in Egyptian politics. Nasser and Sadat came from the army. Mubarak, as deputy war minister and air force commander, reorganized the air force.

He was appointed vice president in 1975 and has been a key although largely silent figure in the government since then. Perhaps his main quality as the heir

of the most obvious result of the end of Sadat's rule will be a change from the personalized style of government he brought to Egypt, which some have described as "open glamour." His close identification with the peace treaty with Israel has meant that little common ground could be established with moderate Arab states which broke with Egypt after Camp David. Sadat's successor is likely to move steadily to mend many of the broken links.

### Qadhafi

If the normalization of relations with Israel is halted, or seriously held up, the return of the remaining Israeli-occupied areas of Sinai could be in jeopardy. Evacuation by Israel of its Sinai air bases and settlements and the return of the entire area to Egyptian control was to be the final triumph justification to the people of Sadat's dramatic visit to Jerusalem in 1977.

Sadat gambled correctly that intellectual and Moslem fundamentalist opposition to the peace treaty would not be reflected in general discontent in a country tired of war and economic deprivation.

Yet the personal attacks that Sadat was prone to make on Arab states and leaders who opposed his strategy exacerbated relations with Egypt's neighbors, in particular the Libya of Muammar Qadhafi. Such was the vehemence of the verbal attacks by each on the other in recent months that a war has seemed increasingly likely.

Apart from opposing Sadat's peace with Israel, Libya has close military relations with Moscow. A joint plank of Sadat's foreign policy, along with peaceful relations with Israel, was a realignment with the West.

Each month a final breach with the Soviet Union was effected with the expulsion of the Soviet ambassador and the civilian remnants of what was once a formidable Soviet military presence. This coincided with a clampdown on domestic religious, political and media opponents of Sadat's rule. Some 1,500 Egyptians were arrested and are still under detention.

Robert Bailey is on the staff of the Middle East Economic Digest. He wrote this article for the International Herald Tribune.



presumptive is that he has not made enemies.

Western financial sources with knowledge of Egypt say that there may be a period of uncertainty but that if the transfer of power is smooth, trade, which has been expanding rapidly, will be maintained.

Late on Tuesday, Mubarak said that "a new leader" would be elected within 60 days. When Sadat took over after President Nasser's death in 1970, he was appointed provisional president by the Cabinet, and only later confirmed in office by a national referendum.

## Much Still Depends On Both

By Desmond Tutu

The writer is an Anglican bishop and the general secretary of the South African Council of Churches.

WASHINGTON — After all the buffeting that blacks have taken in over 30 years of apartheid rule, you would think that by now they would have become seasoned cynics.

Former Prime Minister John Vorster proclaimed that he wanted just six months to transform the political life of South Africa. R.F. Botha who was at that time his ambassador at the United Nations, declared with a great flourish that South Africa was moving away from discrimination based on race. And what happened? Nothing more than the sort of intransigence that caused the 1976 uprisings and the orgy of beatings and detentions without trial capped by the death in detention of Steve Biko.

And yet when P.W. Botha came on the scene as prime minister, hopes began to rise again. Here was a man who appeared quite decisive and who knew white South Africa must adapt or die. He was speaking in a way that we had not expected to hear from a Nationalist prime minister.

### Privilege

He seemed to have set his sights on reform and realized he would need new allies, hence his successful overtures to the private sector. Botha also knew that the traditional supporters of his party would be appalled at having to give up so much of white privilege. A survey showed that 60 percent of the blacks thought Botha was doing a good job as prime minister. That is how high hopes were flying.

Nearly two years have since passed, and there has been little more than reformist rhetoric, which has not yet been translated into reality.

Botha has made a valiant effort to streamline government bureaucracy, but he has also been concentrating power more and more in his hands. He is increasingly seeking to bypass government, as witness his abolition of the Senate and the move to nominate parliamentarians.

He deserves credit for the advent of the President's Council, which represents revolutionary thinking on the part of the Nationalists in that it says other races — excluding blacks — would join whites in determining the future of South Africa, constitutional or otherwise. Having got so far, however, he greatly weakened this potentially revolutionary move by providing for a nominated rather than an elected membership.

### Africanerdom

Even after this setback, many people hoped against hope that change, real fundamental change which has to do with political power-sharing, still might happen. Others, however, were beginning to suspect that Botha, like all his predecessors, did not want the dubious honor of going down in history as the man who split the Nationalist Party and so also Africanerdom.

The prime minister was, for instance, humiliated by Andries Treurnicht, the arch-conservative leader of the Transvaal Nationalist Party, on the question of whether schoolboys of different races could play rugby together. Treurnicht declared in public, contradicting



Prime Minister P.W. Botha

the prime minister, that it would not happen. Botha learned that if he took this momentous issue to the party caucus he would lose to Treurnicht. And so he backed down.

For various reasons, Botha decided to call an election some two years before he needed to, perhaps he wanted his own mandate from the people. Perhaps he hoped to wipe the floor with the right wing and so be rid of it forever. And he might have done both these things had he gone boldly for a reformist platform.

Unfortunately, he retreated into the laager of well-tried traditional Afrikaner policies, and predictably this time he lost to both the right and the left. He was not conservative enough for the right and not reformist enough for the left — if these terms mean anything in South Africa. If he were bright, he would realize that he has been relieved of the albatross of Afrikaner unity. It no longer exists.

### History

I have spent time on Botha because he holds the key to a peaceful future for South Africa. The indisputable point is that we who are oppressed will be free. That is not in question. The logic of history, even Afrikaner history, dictates that this is so. All that the whites can do is decide whether they want freedom to come reasonably peacefully or through bloodshed and armed struggle. Those are the only options available.

Botha can play a decisive role by opting for a bold policy of change. Anything else will fail. He can never satisfy the right wing. So he should go all out to win the world and the rest of South Africa by opting for political power-sharing.

Unrest in the schools and on the labor front, is endemic in our country and will continue to be so until political power-sharing becomes a reality. More and more blacks are becoming disillusioned, as those of us calling for change by peaceful means have our credibility eroded by the authorities' often brutal and excessive action. Calls for peaceful change are being answered by tear gas, police dogs, bullets, detention without trial and banning orders. The authorities are growing in intransigence; belatedly, Botha wants to demon-

strate that he is tough and cannot be trifled with.

He is too late because he has not come to terms with the determination bordering on recklessness of black youth who openly flout the emblems of the outlawed African National Congress. He cannot control the militancy of black labor unions, which are going to be the power to watch.

### Crisis

There will be more and more police harassment, beatings and detentions, but these will not deter those who are determined to become free.

Finally, a word about foreign corporations in South Africa. Multinational corporations are not yet involved in the business of helping to destroy apartheid. They have done some good things for their employees, but all within the framework of apartheid, and really no more than what a good employer should have been doing. Ultimately, their efforts are improvements and not changes. They are making apartheid more comfortable rather than dismantling it.

The international community must make up its mind whether it wants to see a peaceful resolution of the South African crisis. If it does, then let it apply pressure — diplomatic, political, but above all economic — on the South African government to persuade it to go to the negotiating table with the authentic leaders of all sections of the South African population before it is too late.

Maybe it is too late, judging from the conduct of the Reagan administration. If so, then what Mr. Vorster called the alternative too hastily to contemplate is upon us. But hope springs eternal.

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Letters intended for publication should be addressed "Letters to the Editor," and must include the writer's address and signature. Priority is given to letters that are brief and do not request anonymity. Letters may be abridged. We are unable to acknowledge all letters, but value the views of readers who submit them.

## Letters

### Sweets Immemorial

Re the editorial "Bribery, Rain-makers and the Law" (IHT, Sept. 18): At a time when the United States is afflicted by astronomical unemployment, exports becoming indispensable and vital. It is only natural, and unfortunately strictly necessary, that business should use practices adopted universally since Adam and Eve by all competitors, and for that matter also by the salesman selling chewing gum to the corner candy store. What about an investigation of the big candy stores scandal?

No limits to the pretensions of naive puritanism? No limits to the role of universal laughing stock? WILLIAM PASSIGLI, Minusio, Switzerland.

### Le Wonder Train

Much ballyhoo has accompanied the announcement of a new French wonder train, but the great problem facing almost all European railroads today is excessive traffic density. Most existing trains — passenger and goods — could go much faster than they do, but their performance is frustrated by tight schedules making speed a great danger. This is particularly true of my country, Britain, birthplace of the railroad.

Between the two world wars, the British broke several world records with super steam trains. But the joke was that the average British train continued to go slower than in 1870.

What makes the train a grande vitesse at all possible? France has

by far the lowest population density in the EEC and its railroads are infinitely less encumbered than those of most other European countries. Even the TGV can attain its maximum speed only on certain stretches of freed track devoid of dangerous curves.

Most wonder trains tend to run to the disadvantage of the average train. I fear this will be the case even in France. For all these reasons, the TGV is not likely to be profitable when all factors are taken into consideration.

B. CHARLESWORTH, Grand-Saconnex, Switzerland.

### It Isn't the Same

Can it be that even William Safire, whom we need so badly, can get his etymology wrong? "If lesbians argue," he writes (IHT, Sept. 28), "that 'homosexual' should be limited to men, I would put up a feeble fight." I would put up a stronger one. "Homosaym," "homosexual," etc. derive not from the Latin homo, meaning "man," but from the Greek homos, meaning "same."

DAVID WINGEATE PIKE, Paris.

Your friendly philologist has just opened a yawning credibility gap. D.M. KENYON, Romsey, England.

As my dear old illiterate grandmother used to say, beware of the homograph. STEPHEN O. HUGHES, Rabat.

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# Commonwealth States May Urge Global Talks On Aid for 3d World

MELBOURNE — Commonwealth nations on Tuesday prepared a communiqué calling for the dismantling of trade barriers, new efforts to boost food supplies, and help in tapping energy resources.

Senior officials, in a draft communiqué still to be approved by government leaders attending the Commonwealth talks here, agreed it should issue a strong call for global negotiations on aid resources between the Third World and major industrialized countries.

This is a key issue to be discussed at a 22-nation North-South meeting at Cancun, Mexico, Oct. 22. President Reagan, who will be at Cancun, has so far withheld U.S. approval for the global talks long sought by the Third World.

If agreed, the communiqué would put the Commonwealth on record in supporting "every effort to remove obstacles to an early start to the global negotiations." Seven Commonwealth leaders are also going to Cancun.

Disputed issues — The communiqué, to be issued when the eight-day meeting ends Wednesday, will express Commonwealth views on all major issues. But diplomats said it would be less tough than Western nations wanted on disputed East-West issues such as Poland, Afghanistan and Cambodia because of the Commonwealth's broad ideological span. The grouping of states formerly ruled by Britain includes Marxist-run governments sympathetic to the Soviet Union, and most members also belong to the nonaligned movement.

Grenada's prime minister, Maurice Bishop, meanwhile, accused the CIA of plotting to destabilize his Caribbean island state.

The United States had conducted military exercises that were a trial run for an invasion of his 133-square-mile (340-square-kilometer) island, he told a press conference. The destabilization efforts "can easily be traced to the CIA. There is no doubt about it, it is very recognizable."

Mr. Bishop said his government had complained to the United States and after six weeks "we got a stock denial but no clarification."

Journalists Criticized — Jamaican Prime Minister Edward Seaga said later he knew of no instance of U.S. interference in the domestic affairs of a Caribbean nation.

He said journalists should have asked Mr. Bishop for evidence to back up his accusations. "Not having asked for that I suggest you treat the information he has given you very warily," he said.

Outside the conference proper, David Chipp, editor in chief of Britain's Press Association news agency, told the Commonwealth Press Union that official restrictions on newspapers threaten to make it increasingly difficult for journalists around the world to report the news. "The attack is insidious and slow and is often justified by what are superficially very worthy motives."

Mr. Chipp said the press should ensure that its own attitudes were positive and brave to protect itself from activities like those of the Unesco, which is seeking to reshape international news reporting and communications.

# House Approves Extension Of U.S. Voting Rights Act

By Bill Peterson

WASHINGTON — The House overwhelmingly approved extension of the Voting Rights Act of 1965, giving Democrats and civil rights groups one of their few legislative victories this year.

The bill extends anti-discrimination laws at the polls indefinitely but gives jurisdictions covered by the act an easier way to escape its provisions with good behavior. The 389-to-24 vote came Monday night after a coalition of Democrats and moderate Republicans brushed aside nine amendments designed to weaken the bill and eliminate the requirement for printing of bilingual ballots.

"Today, the House has made good its commitments to the major civil rights battles of the 1960s," Speaker Thomas P. O'Neill Jr., a Massachusetts Democrat, said a few minutes before the vote. "It is guaranteeing the right to vote."

With the administration's position on many provisions of the bill unclear, the extension faces an uncertain future in the more conservative Senate, which is not scheduled to begin hearings on it until at least January.

Lopsided Victories — While civil rights lobbyists crowded the corridors, supporters of the extension had rolled up lopsided victories as they insisted that any amendment to the extension bill would weaken it and was unacceptable.

This tactic ranked opponents such as Rep. Daniel E. Lungren, a California Republican, who accused civil rights groups of engaging in "emotional and moral blackmail."

A coalition of Democrats and moderate Republicans crushed opposition by ratios as great as 3 to 1 as the extension moved toward passage. Key provisions of the bill do not expire until next August, but civil rights groups had pressed for early House action because they fear Senate opposition.

The Voting Rights Act, passed at the height of the civil rights movement, banned the use of literacy tests, poll taxes and other devices used to keep minorities from voting. States with a history of voting rights discrimination are required to receive "pre-clearance" from the Justice Department for any changes in state or local election laws.

Since that time, the number of blacks registered to vote in the South has climbed from 29.3 percent to 56.6 percent in 1980, and the number of blacks holding elective office from less than 100 to 1,813. This has led to pressure for relief from pre-clearance conditions, which apply to Alaska and eight Southern states and parts of 13 other states.

The House Judiciary Committee worked out compromise "bailout" procedures that would allow jurisdictions to avoid being covered if they could show no voting violations for 10 years.

# Author Clotilde Margheri Dies at 80; Published Berenson Correspondence

United Press International

ROME — Italian author Clotilde Margheri, 80, has died.

Her latest work was the publication in Italy of her 28 years of correspondence with the late American art critic Bernard Berenson under the title "Lo Specchio Doppio" (The Double Mirror).

Her most successful work was the 1970 book "Il Segno sul Braccio" (The Mark on the Arm), which won Italy's Villa San Giovanni prize. She died Monday.

William M. Rand — LINCOLN, Mass. (AP) — William M. Rand, 95, a naval aide to Assistant Secretary of the Navy Franklin D. Roosevelt in World War I, and president of Monsanto Chemical Co. from 1945 to 1951, died Monday.

Fred Lindstrom — CHICAGO (NYT) — Fred Lindstrom, 75, a third baseman and outfielder for nine seasons with the New York Giants and other National League teams from 1924 to 1936 and a member of the

Baseball Hall of Fame, died Sunday after a long illness.

Mr. Lindstrom starred for the Giants against the Washington Senators in the 1924 World Series as an 18-year-old rookie, getting 10 hits. He batted .379 in 1930 and had a career average of .311.

Jud Strunk — CARRABASSETT VALLEY, Maine (UPI) — Jud Strunk, 44, who wrote the hit song "Daisy Day" and played a country bumpkin newscaster on television's "Laugh In" program, died Monday in the crash of his antique open-cockpit warplane. A friend, Richard Ayotte, 43, was also killed.

Lofton A. Cooper — MIAMI (UPI) — Lofton Alfonso (AJ) Cooper, 70, leader of the Savoy Sultans orchestra at New York's Savoy Ballroom in the 1940s and a jazz saxophonist, died Saturday of a heart attack.

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PEN OF HONOR — President Reagan handed a pen to Guy von Dardel, brother of Raoul Wallenberg, during a ceremony in the White House Rose Garden making Mr. Wallenberg, the Swedish diplomat who is credited with saving more than 100,000 Jews in wartime Hungary, an honorary U.S. citizen. From left are: Nina Lagergren, Mr. Wallenberg's sister; Sen. Claiborne Pell; Vice President Bush; Rep. Tom Lantos, who was in the Hungarian anti-Nazi underground and was saved by Mr. Wallenberg; and Mr. von Dardel. Mr. Wallenberg was reported to have died in a Soviet prison camp after the war but this has never been confirmed.

# Nonaligned Nations Seem to View U.S. as Sole Threat to World Peace

By Bernard D. Nossiter

New York Times Service UNITED NATIONS, N.Y. — If the 93 nations professing nonalignment are to be taken literally, the United States is the only threat to world peace and prosperity.

This is the thrust of a 21-page document that the group adopted this week after two days of private discussion. "It has been a strongly anti-American formulation," said a senior Arab diplomat who was unhappy with the proceedings.

In the document, the United States is accused of "aggression" for downing two Libyan planes that Washington said had fired first over international waters. The United States is also "condemned"

says that "foreign forces" should pull out of Afghanistan but fails to describe them as Moscow's. Similarly, it says unidentified "foreign forces" should also withdraw from Cambodia. It discreetly does not name them as Vietnamese.

The nonaligned group, celebrating its 20th anniversary, organized in the name of independence from the camps led by Washington and Moscow. Several delegates to the conference acknowledge that the latest communiqué is more strongly tilted toward the Soviet Union than any produced since the group's meeting in Havana two years ago. These diplomats, however, contend there is both less and more here than meets the eye.

Cuba is still chairman of the group and its foreign minister, Isidoro Malmeria, ran the latest meeting here with an iron hand. According to those present, when a delegate demurred at some language, Mr. Malmeria would reply: "Don't waste time. Send your reservation in writing." This way he could preserve an artificial appearance of consensus or unanimity, required at nonaligned gatherings.

"The moderates never organized," said an Asian envoy. "The extremists did." The meeting was

# At Least 1,500 Killed As Floods Hit Nepal

United Press International KATMANDU, Nepal — The worst floods in 30 years left 1,500 people dead in the Himalayan mountain kingdom of Nepal, thousands homeless and destroyed crops last week, according to the newspaper Sanghu.

There are fears that the death toll may be higher as reports continue to reach the capital.

presented with a relatively mild working paper. But Syria, Libya, Algeria, Nicaragua and the Palestine Liberation Organization — a 94th "nation" in nonaligned circles — introduced carefully timed amendments to stiffen the document's anti-American tone.

Several dozen members of the group, including Bangladesh, Nepal, Bhutan, Zaire, Senegal and Gabon, say they will file objections to one section or another. But for the record, the paper stands as the group's unanimous view. "It was just not important enough to fight over," said an Asian diplomat.

Some nations did, however, fight for their own cause. Egypt succeeded in erasing words that would have condemned Cairo for signing a peace treaty with Israel. Pakistan got rid of language diluting the section dealing with those anonymous "foreign forces" in Afghanistan.

The moderates concede that their unwillingness to insist on a less one-sided document reflects a widespread undercurrent of dismay with the policies of the Reagan administration.

"You're sending out the wrong signals," said an African diplomat. In the African view, the administration's proclaimed neutrality between South Africa's ruling whites and its black population is immoral. Washington's repeated actions to support Pretoria or spare it from rebuke have aroused deep suspicion over U.S. intentions toward the South African-administered territory of South-West Africa, also known as Namibia. In the eyes of the nonaligned, Namibia is the last colonial possession, and black Africans fear that Washington is secretly encouraging Pretoria to keep it.

# Reagan Proposal Would Enhance CIA's Surveillance Powers in U.S.

By Judith Miller

WASHINGTON — After months of internal debate, the Reagan administration has drafted a proposal that would grant U.S. intelligence agencies broad authority to infiltrate domestic organizations and review bank, medical, telephone and other private records, according to congressional sources.

The 23-page proposal, written by an interagency group headed by the Central Intelligence Agency, has stirred intense opposition from some members of the Senate Select Committee on Intelligence. Members of the Senate panel have asked the Justice Department and the CIA to explain how they would interpret the authority granted under the proposal.

The draft is the administration's third effort to replace Executive Order 12036, the basic framework for intelligence activities signed by President Jimmy Carter on Jan. 24, 1978. The revised order would have the force of law if signed by President Reagan.

The CIA apparently is seeking expanded authority to strengthen its ability to collect information about U.S. citizens and foreigners residing in the United States who may pose a threat to the nation's security.

A senior intelligence official said Monday that the proposal contained a broad requirement that all intelligence agency activities must be conducted according to the law. Therefore, he said, there would be no illegal electronic surveillance directed against U.S. citizens.

The first draft of the order was quickly disavowed by White

House officials when its disclosure last March prompted outcry that it would weaken civil liberties and privacy protections.

A second draft, issued last May, assuaged many of the concerns of civil libertarians, but was opposed by Richard V. Allen, the president's national security adviser, and other administration officials who favor granting the intelligence agencies greater flexibility.

Several congressional sources said Monday that the new proposal would grant the agencies what they called "sweeping power" and "broad authority" to infiltrate U.S. organizations, open mail without court orders and engage in other activities prohibited by the existing order.

Sen. Joseph R. Biden Jr., a Delaware Democrat, and other senators expressed opposition to the proposed order, which they argued could pose a threat to the civil rights and liberties. Sen. Biden reportedly vowed to "spend the rest of my career in the Senate opposing this order."

According to congressional sources familiar with the document, the order would do the following:

- Delete existing prohibitions on the CIA's conduct of "special activities" or covert actions within the United States, as long as the activities were not intended to influence official policies or politics.
- Appear to give the CIA new authority to participate in developing procedures approved by the attorney general that govern criminal narcotics intelligence activities abroad.
- Free intelligence agency heads from being required to report possible federal crimes by their employees.
- Broaden the CIA's authority and that of other intelligence agencies to collect information about U.S. citizens or foreigners residing in the United States. One source said that under this procedure, the CIA could obtain access to bank, medical, telephone and other private records.
- Delete a provision in the existing order that requires the secretary of state to "coordinate" with the director of intelligence to ensure that intelligence activities are "useful to and consistent with United States foreign policy."
- Delete standards that limit physical surveillance of U.S. citizens abroad to present or former employees and contractors, those "reasonably believed to be acting on behalf of a foreign power or engaging in international terrorist or narcotics activities," and those in contact with subjects of foreign intelligence or counterintelligence investigations.

# Pope to Give Audience In St. Peter's Square

The Associated Press

VATICAN CITY — Wednesday's general audience by Pope John Paul II will take place in St. Peter's Square — not inside, as previously announced — to give more pilgrims a chance to see the pope, the Vatican announced.

Earlier, the Vatican said the weekly audience, the first since the pope was shot in the square on May 13, would be in the Pope Paul VI Hall, with a capacity of 17,000.

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Oil and Gas Are you considering Investment Opportunities? Internationally known energy consulting firm, Keplinger and Associates, Inc., will be holding their Symposium on Oil and Gas Investing and Financing. October 12 & 13, 1981 Hotel Concorde La Fayette Paris, France October 15 & 16, 1981 Royal Lancaster Hotel London, England During each two-day seminar, the Keplinger staff along with other foremost energy experts will outline the legal, accounting and financial aspects of an oil and gas investment. Petroleum Geology, Petroleum Engineering and Exploration Techniques will also be presented in a non-technical manner. For more information contact Mary Fraser, Keplinger and Associates, (U.K.) Ltd., 27 Monpellier Street, KNIGHTSBRIDGE London SW7 1HF, England Telephone: 01-584 4351

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NYSE Nationwide Trading Closing Prices Oct. 6

Table with multiple columns listing stock symbols, prices, and trading volumes for various companies on the NYSE.

Theater 'Nicholas Nickleby' Extravaganza Hits New York

By Ula Inytky The Associated Press NEW YORK — "Nicholas Nickleby," Broadway's most expensive show at \$100 a ticket, left much of the opening-night audience feeling it got its money's worth, but had some critics questioning whether its 8 1/2 hours was too much of a good thing.

Frank Rich in The New York Times, "they are separated by dull passages, which clog the production's arteries." "Great Acting Company" But Rich praised the "great acting company" with which "two ceaselessly imaginative directors, Trevor Nunn and John Caird, periodically reveal that they can indeed translate Dickens into pure theater."

And Clive Barnes, writing in the New York Post, praised the producers and the fine acting and called the play "one of the great theatrical experiences of our time." "It's never dragged. This is theater history happening in a big, big way," she said. But she lamented the cost of the tickets. "It's unfortunate that it's only a rich person's play," she said. "Dickens didn't write just for the rich."

Fashion The Rivalry of Giorgio Armani, Gianni Versace in Milan

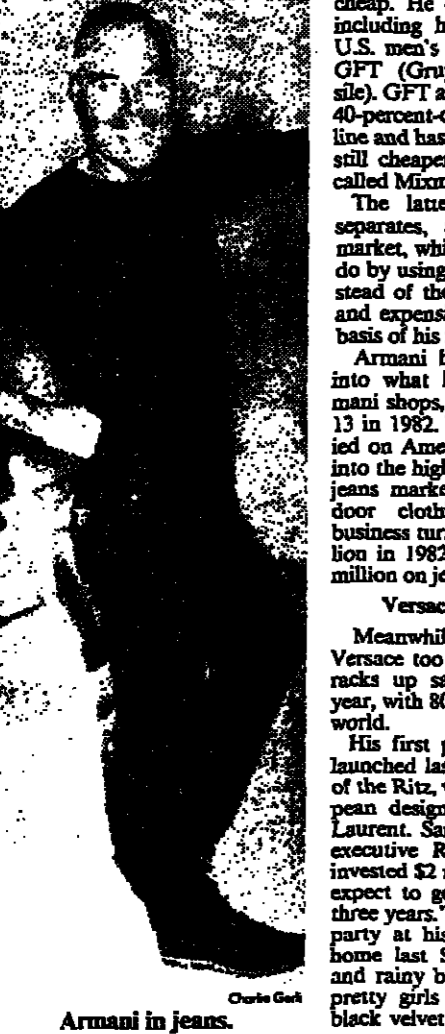
By Hebe Dorsey International Herald Tribune MILAN — Giorgio Armani and Gianni Versace are the two big guns of Italian fashion and they are constantly shooting at each other. Not openly, you understand, but indirectly, a bit like in the days of Elizabeth Arden and Helena Rubinstein when a peeved Arden would refer to Rubinstein as "the other one."

Armani made the point last season. He quit the fair, he said at the time, because he was tired of paying nearly \$100,000 to temperamental foreign models. So what's with Versace this season? He too has decided that he does not want to be at the fair and he is having smallish, intimate shows at his premises. He says his clothes get lost on the huge MODIT runway.

trous Ornella Muti, whom Versace, whose English is somewhat hesitant, kept calling the star of "Flesh Gordon." The al fresco dinner was a bit too al fresco and, as water kept filtering onto the beautiful white canvas-canopied terrace, some guests felt as if they were on some Dutch dike as men kept piling up sandbags to hold the water back.



Versace in tax.



Armani in jeans.

High Tech in the Palazzo Now everybody has to troop to both Armani's and Versace's, and go to the fair. But Armani, who is still one step ahead, is not bothering with a regular collection this season. Instead, he has hung the clothes like butterflies on a decor of black industrial tubing, a bit of high tech for that frescoed palazzo of his.

Films Alda: Man of All 'Seasons' By Thomas Quinn Curtiss International Herald Tribune PARIS — Alan Alda's "Four Seasons" is a hot hit in the United States. Its instantaneous success there comes as surprise for it is neither science-fiction epic nor satiric melodrama, the two surefire specialties of the moment.

Worldwide Entertainment advertisement for Paris, featuring Lido and Moulin Rouge with showtimes and prices.

Why anyone should want to revive "Dr. Jekyll and Mr. Hyde" again is as much a mystery as why anyone would want to revive flannel underwear. It is possible that the obsolete hair-raiser might be reproduced in the nature of a wheeze — as has happened often to "Dracula" — but you will find it its old straight-faced self, with agonizing pseudo-scientific gabble, in Ken Kesey's "Hush" which is derived not from the Stevenson story but from a novel by Paddy Chayefsky.



# Banking and Finance in SCANDINAVIA

A SPECIAL SUPPLEMENT

## NORWAY: Shift to Conservatives Puts Focus on Economic Issues

By Jens Solli

OSLO — The Labor Party's defeat in Norway's mid-September elections has generated expectations among the more conservative voters of marked changes in the political and economic outlook of this oil-rich nation.

But some observers have raised a crucial question: Will the new government of Conservative leader Kåre Willoch really be in a position to alter things significantly?

Norway's center-right voters clearly think that the time has come to put the country's economic house in order after years of what they see as mismanagement by Labor Party governments.

They are looking to the new government, whether it is a coalition of non-Socialist parties or a Conservative minority Cabinet, to restore a more optimistic climate and inspire a new taste for work.

But the same observers question the political feasibility of such a shake-up. There are strong indications that the evolution in Norway may be determined by certain structural factors, whether the Socialists or the Conservatives are in power.

It is certain that the swing to the right in the new Storting (parliament), elected for a four-year term, is the most significant in six decades. The non-Socialist majority can therefore be expected to provide a basis for stable government.

Even so, there are reasons to believe there will only be relatively minor adjustments to the main political and economic course pursued by Norway.

For one thing, Premier Willoch will have to pay attention to the Center and Christian People's parties in his Conservative Party alone has secured almost three times as many seats in the Storting as the other two groupings.

Before the September polls, the

### NORWAY

Population (1980)	4,090,000
Area (sq. kms.)	386,300
GDP (billions of kroner)	283.0
GDP per capita (Nkr)	69,200
Value added in manufacturing (1979) (billions of Nkr)	45.1
Total work force	1,947,000
Employed in manufacturing	384,000
Exchange rate	\$1 = 5.84Nkr

Conservative Party called for substantial tax cuts, reduction of public spending, liberalization of interest-rate policy and increased private sector participation in the development of offshore oil and natural gas resources.

Differing Views  
The Center Party, still basically agrarian, and the Christian People's Party have differing views on all these issues, sometimes as a matter of principle. So any major change seems unlikely in the short

## DENMARK: Hope Rising As Measures Begin to Bite

COPENHAGEN — Danish officials appear in a more hopeful mood. Belt-tightening measures during the last two years have begun to take effect and crude oil has started trickling from new wells in the Danish sector of the North Sea.

The Social Democratic minority government of Premier Anker Jørgensen is still struggling with a heavy balance-of-payments deficit — which may take years to eliminate — and Denmark's accumulated foreign public and private debt re-

cently reached the 100-billion-kroner mark.

Denmark is faced with zero growth at best this year, after a 1-percent decline in gross domestic product in 1980. And unemployment, boosted by stagnating industrial output, has risen from 180,000, 7 percent of the labor force, a year ago to close to 250,000, slightly more than 9 percent. It may well remain at that level in 1982.

Moreover, the 1982 budget, presented to Parliament in August by Finance Minister Svend Jakobsen, shows a deficit of 40 billion kroner, one-quarter of the planned outlays of 164 billion kroner. The net borrowing requirement is set at 48 billion kroner.

Optimistic View  
Figures of this order would not doubt send a shudder down the spine of some of Mr. Jakobsen's foreign counterparts. But Economics Minister Ivar Nørgaard and his aides prefer to take an optimistic view. They consider that the austerity measures administered during the last two years have shown in the current-account deficit, in private consumption and in the competitive position of Danish exporters in foreign markets.

"I think we have started a trend," Mr. Nørgaard said. He is confident that Denmark will have restored balance in its foreign payments toward the end of the current decade, while at the same time braking the growth of its foreign indebtedness, which is currently

equal to nearly one-quarter of the GDP.

Although Danish businessmen and bankers tend to agree that the government ought to try to reach its objective over a shorter period, they are quick to remind a foreign visitor that running a high current-account deficit and borrowing on a large scale were virtual necessities when Denmark began its conversion from a predominantly agricultural to an industrially based economy barely two decades ago. The situation was complicated by the 1973-1974 oil crisis and developments in the energy sector since then.

Steering a nation through an international crisis is no easy task for any government. It is even more arduous for a minority Cabinet like Mr. Jørgensen's. The 1979 austerity package was put together after endless bargaining and numerous compromises between the Social Democrats and center-right parties. It involved cutbacks in public spending and tax increases to curb oil consumption, and was

asked what effect high U.S. interest rates have had, he said that Sweden's problems had largely been created at home. "I don't think Sweden is in a position to moralize about other countries' policies. But our problems would clearly be eased with a different relationship between the Swedish krona and the Deutsche mark and U.S. dollar."

Interest Rates  
When the Falkind government devalued the krona, the currency had appreciated by 10 percent against the mark and lost 15 percent of its value against the dollar. This meant that West German industry had obtained a competitive edge over Swedish exporters in key sectors of industry, while dollar-priced raw materials and oil had become much more expensive, said Lars Virin of the Federation of Swedish Industry.

The Swedish economy is an open one, with exports and imports both in excess of 25 percent of GDP — which explains the exchange rate adjustment announced last month. A long-term solution requires adjustment efforts, however. They must be rapid, "but not so rapid that we destroy the social consensus," Mr. Westerberg said. "It will be a balancing act."

— JAN KRISTIANSEN

# Nordic Investment Bank Expands at Steady Pace

By Jan Kristiansen

HELSINKI — The Nordic Investment Bank (NIB), jointly operated by Denmark, Finland, Iceland, Norway and Sweden, has carved a niche for itself in North European finance and is steadily expanding its borrowing and lending activities.

The five governments, which have cooperated through the Nordic Council throughout most of the postwar period, established the bank within this context in 1976 to promote investment and the expansion of trade in the region.

By last August, NIB had channeled nearly 580 million special drawing rights (SDRs), the paper currency issued by the International Monetary Fund, or about \$650 million, into Nordic industrial projects and export financing. The NIB statutes stipulate that, to qualify for a loan, a project must involve cooperation between firms and/or institutions of at least two of the five member countries, or must be of significant benefit to at least one other Nordic country.

The overall lending figure, involving 110 loans, might seem fairly modest by international standards, but the sponsors and the NIB management have preferred to build up operations gradually and carefully in the initial phase.

Finns From Overseas  
The bank has proved its usefulness, according to senior officials in member capitals who note that it has helped pipe in funds from overseas markets at a time when most countries of the region are running payments deficits as a result of high oil costs.

Industry, in particular those companies that have benefited from NIB's activities, has welcomed the bank as an additional source of medium- and long-term financing.

Scandinavian bankers initially expressed some skepticism on the ground that it appeared to be a government creation with political overtones. But the bank operates on strict professional principles and is bound by its statutes to seek profit. Its cooperation with com-

### DENMARK

Population (1980)	5,100,000
Area (sq. kms.)	43,100
GDP (billions of kroner)	374.3
GDP per capita (Dkr)	73,400
Value added in manufacturing (1979) (billions of Dkr)	60.6
Total work force	2,620,000
Employed in manufacturing	374,000
Exchange rate	\$1 = 7.19Dkr

*The NIB has won international recognition as a highly credit-worthy borrower.*

mercial banks is now smooth. Moreover, NIB has won international recognition as a highly credit-worthy borrower. It was awarded AAA ratings a year ago on the U.S. market both by Moody's and by Standard and Poor.

"As a fund-raiser, we are enjoying a special status in the region. We are its only international financial institution," said Petter Skouen, NIB vice president and treasurer. With the AAA rating, this has helped the bank gain access to Japan's domestic capital market.

Because of NIB's status as an international body, the International Monetary Fund (IMF) last year designated it as one of the select group of "other holders" of SDRs, which are authorized to acquire and use the IMF's reserve asset at will in transactions and operations with IMF members and other holders. This group includes the World Bank, the Bank for International Settlements and various regional monetary institutions.

Last July, the Norwegian Central Bank transferred 20 million SDRs from its reserves as a loan to NIB rather than placing the amount otherwise, making NIB the first "other holder" to use SDRs in that way. Since its establishment, NIB has made extensive use of SDRs as a unit of account.

NIB denominated its capital stock in SDRs because the bank was set up at a time of wide exchange rate swings. Between 1979 and early this year, it had floated three SDR-denominated bond issues on the Euro market. The latest of these long-term fixed-interest issues was the first on the market since the SDR "basket" was reduced to the five main currencies. NIB has made more than half its lending in SDRs.

Recognized Borrowers  
NIB executives are especially pleased that Japanese authorities gave the bank direct access to their domestic market. Because of the high level of interest rates on the world market, foreign borrowers have been lining up for long-term yen loans at much more favorable terms.

But only recognized institutional borrowers such as the World Bank, the Asian Development Bank and

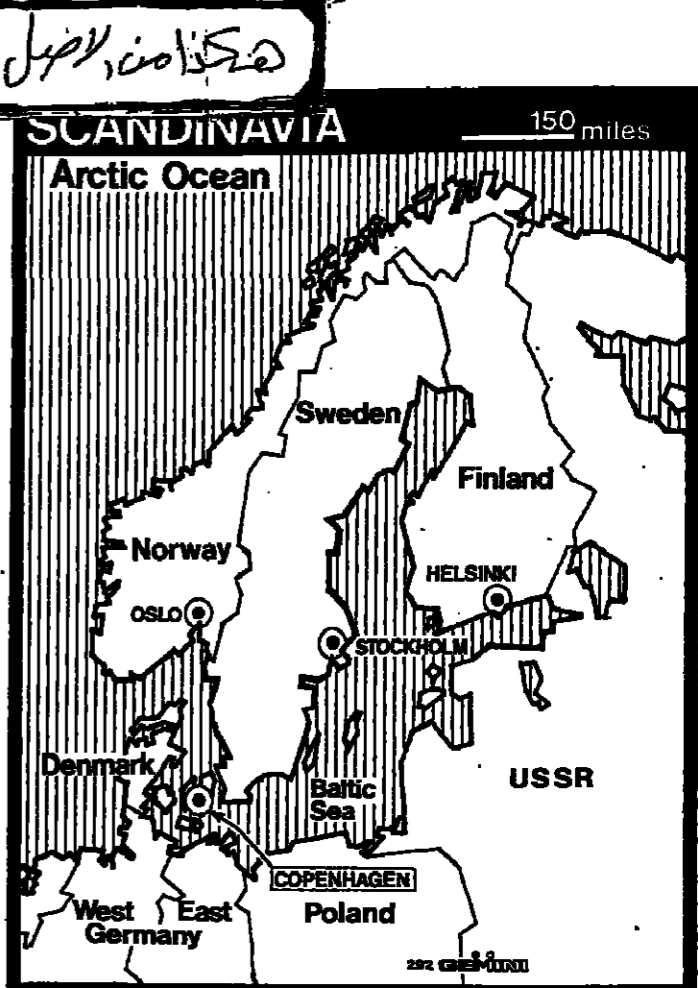
the European Investment Bank have been allowed into the Tokyo market. The loan of 20 billion yen signed by NIB on July 27 was for 15 years at 0.2 percentage point above Japan's long-term prime rate, which means an interest rate of 8.7 percent a year.

The loan, which was NIB's largest single borrowing, was organized by a Japanese bank syndicate with the Industrial Bank of Japan as lead manager. "No other borrowers in the Nordic region could have achieved this, not even the governments," Mr. Skouen said.

The yen raised in Tokyo were earmarked mainly for four major loans in the energy sector, which has so far received roughly 40 percent of NIB's total lending of \$650 million during the last five years.

Lending to costly energy projects, requiring long-term financing at fixed interest, accounted for the lion's share of 22 loans for a total of about 140 million SDRs awarded by the bank during the first eight months of this year. In all of

(Continued on Page 95)



## FINLAND: Downturn This Year

### FINLAND

Population (1980)	4,780,000
Area (sq. kms.)	337,000
GDP (billions of marks)	186.8
GDP per capita (Fmk)	39,100
Value added in manufacturing industry (1979) (billions of Fmk)	51.7
Total work force	2,315,000
Employed in manufacturing	570,000
Exchange rate	\$1 = 4.39Fmk

Cooperation and Development (OECD) for two consecutive years. Its gross domestic product (GDP) expanded by 7.2 percent in 1979 and by 4.9 percent last year.

Forecasters indicate a slowdown in the growth rate this year to a modest 2 percent. It could be no higher next year, depending largely on what happens on the main Western markets, including Sweden, West Germany and Britain.

Overall OECD growth was 3.3 percent in 1979 and 1.3 percent last year, and average rates of 1.25 percent and 2 percent have been forecast for 1981-1982. But Western Europe's performance is likely to be weaker.

The four-party coalition government of Social Democratic Premier Manner Koivisto has taken a few cautious steps to counter the downturn and partly to sustain employment. The jobless rate was

down to 4.5 percent last year, well below the OECD average. But latest predictions point to a rate of slightly more than 5 percent this year.

Nonetheless, Kari Nars, a Bank of Finland director, said, "The most important thing now is to fight inflation and keep it at a manageable level."

Finland's consumer price index reached a peak increase of 13.7 percent last year but has leveled out since January. Prices are now rising at an annual rate of 11 percent, according to Mr. Nars. The Finance Ministry hopes to hold the increase at about 10 percent for 1981 as a whole. This would be higher than the expected OECD average, and two points more than Finland's rates in 1978-1979.

Finance Ministry experts share the Bank of Finland's concern about cost levels. Inflationary expectations remain high, and the sharp rise in the dollar's value could cause renewed pressure on prices, they warned in their latest survey of economic trends.

The central policy question is how to sustain employment while dampening inflation, they said. The survey counseled self-control, both by authorities and the private sector, to ensure that the recession will be mild and to prevent the index clause of a two-year general wage agreement reached last spring from setting off a new wage spiral.

The problem is to maintain the (Continued on Page 85)

### THE NORDIC COUNTRIES

#### Gross Domestic Product

Percentage change in volume

	1979	1980	1981	1982
Denmark	3.5	-1.0	-1.0	2.0
Finland	7.2	4.9	2.0	2.0
Iceland	2.8	2.5	0.0	-
Norway	4.5	3.8	-0.5	1.6
Sweden	3.9	1.4	-1.1	-0.3
Nordic nations	4.4	1.7	-0.5	1.0

#### Current Account

Billions of U.S. dollars of current prices

	1979	1980	1981	1982
Denmark	-2.9	-2.4	-2.3	-2.6
Finland	-0.2	-1.3	-1.6	-1.0
Iceland	0.0	-0.1	-0.1	-0.1
Norway	-1.0	1.0	-0.8	-1.0
Sweden	-2.6	-3.1	-4.5	-5.2
Nordic nations	-6.7	-8.9	-9.3	-9.9

Source: Federation of Danish, Finnish, Icelandic, Norwegian and Swedish Industries.

## SWEDEN: Trying to Agree on a Remedy

STOCKHOLM — "There's a near-consensus about the diagnosis — we all know that strong medicine is needed," a Swedish economist said. "But we cannot agree on the color of the pill."

The main symptoms of the so-called Swedish sickness are illustrated by the latest economic forecasts of the Federation of Swedish Industries. It foresees a 1.1-percent decline in gross domestic product this year, a 3-percent drop in industrial output, a 6-percent fall in industrial investment and a 13-percent rise in consumer prices. This would be accompanied by a payments deficit of about \$5 billion and a further loss of market shares by Swedish exporters.

The federation's forecasts were just a shade more pessimistic than those released last June by the Paris-based Organization for Economic Cooperation and Development (OECD).

"Reducing the current-account deficit must be a prime objective for economic policy," OECD economists said in their annual report on the Swedish economy. "To this end, a shift of resources from the sheltered sector to the competing sector would be necessary." The report added: "It may be asked whether absolute cuts in government expenditure will not be required" to improve the economic balance within a reasonable time, even at the cost of higher unemployment in the short run.

Unemployment  
The unemployment rate was 2 percent last year but could rise to 2.7 percent this year, according to the federation. This is low by West European standards but high in a country where nearly half a century of Social Democratic rule has turned full employment into a cornerstone of economic policy.

### SWEDEN

Population (1980)	8,318,000
Area (sq. kms.)	486,700
GDP (billions of kroner)	518.8
GDP per capita (Skr)	62,400
Value added in manufacturing (1979) (billions of Skr)	120.7
Total work force	4,194,000
Employed in manufacturing	930,000
Exchange rate	\$1 = 5.50Skr

With general elections due next September, Sweden's economic predicament appeared to have set off a bit of early electoral campaigning last August, centering on problems accumulated since the first big rise in oil prices in 1973-1974.

By mid-September, the minority two-party coalition headed by Premier Thorbjörn Fälldin, the Center Party leader, unexpectedly announced a 10-percent devaluation of the krona against the currencies of Sweden's 15 main trading partners. To neutralize the short-term negative effects of the devaluation, the government set a price freeze until the end of the year and apparently deferring to the OECD prescriptions — announced cuts in public spending totaling 6 billion kroner. In a concession to flagging industry, Mr. Fälldin also knocked about 3.5 percentage points off the value-added tax, reducing it to 20 percent.

The premier said that the package would boost exports by 10 percent next year and reduce imports by 5 percent, triggering a surge in

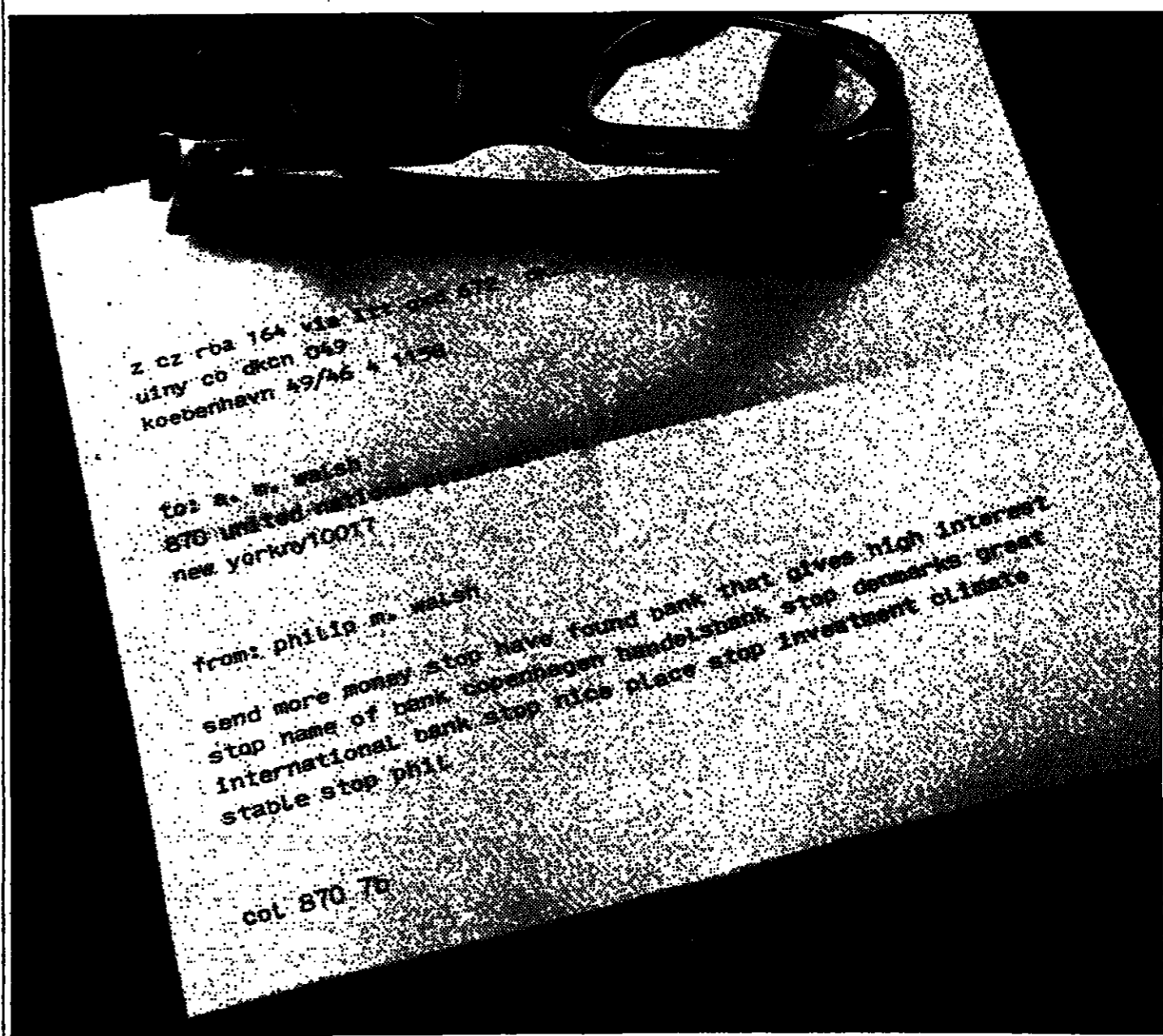
industrial output that would help create an estimated 30,000 to 40,000 jobs. The spending cut will mainly affect public sector industry. Describing the package as the starting point of an economic offensive, Mr. Fälldin said that the measures could improve Sweden's competitiveness.

Determination  
It will no doubt take some time before the full effect of the package is felt, but it showed the government's determination to tackle the crisis. Outsiders have increasingly tended to criticize the political establishment for the failure to face up to the problems.

"We have had weak governments throughout most of the 1970s," an industrialist said, adding that general elections every three years may be too frequent. He admitted that he was worried about the possibility of the Social Democrats returning to power next year after a six-year absence.

Sweden is faced with two key problems, a top government official said. "Our economic efficiency is too low. There are too many obstacles to a flexible functioning of the economy — in housing construction, in the labor and capital markets. They have to be eliminated," he said, adding: "The second major task is to reduce public controls and public spending." He noted that the combined expenditure of central and local government and the social security system now amounted to 67 percent of gross domestic product. And growth in the public sector is faster than overall economic growth. The government seeks to bring expansion in that sector down from 5 percent to 1 percent in real terms.

The most important problem, perhaps, is the absurd tax system we've had in this country for many



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# Norwegian Banks Report Gains

OSLO — Norwegian bankers and businessmen predict a change in the managed economy when Conservative Party leader Kaare Willoch forms a minority government in Norway after the Labor Party's defeat in September. They expect no panacea for the problems plaguing the economy, despite the wealth generated by Norway's offshore oil and gas fields.

A variety of recent forecasts indicate that the consumer price inflation rate could reach 13 percent to 14 percent this year, accompanied by near-stagnation of economic growth and a further loss of market shares for Norway's traditional industries.

Compared with neighboring countries and Norway's West European partners, there are certainly some bright spots. The Norwegian Bankers Association expects a current-account surplus for the second consecutive year in excess of 8 billion kroner. The jobless rate — 1.7 percent early this year but rising — is minimal compared with the West European average.

"Norwegians are willing to pay a higher price than anyone else for full employment," said Trond R. Reinertsen, managing director of the Bankers Association, citing historical causes. This explains why the Labor Party government dug into the country's mounting oil revenues in a bid to bridge the recession that followed the first big oil price rises in 1973-1974. The result was a swelling in public spending since 1975, partly through indirect subsidies to flagging companies, municipalities and the housing construction sector via Norwegian state banks.

"There were just no financial limits," Mr. Reinertsen said. The spending spree was followed by restrictive policies beginning in 1978

and a 15-month price freeze to check soaring inflation. Commercial banks are still feeling the effect of the Bank of Norway's tight money policies, although they have been eased slightly since spring.

"Our biggest borrower is the Norwegian state," Mr. Reinertsen said. Aside from a basic reserve requirement of 8 percent, commercial banks are required to hold 30 percent of their assets in government bonds; therefore 38 percent of the banks' funds are tied down. Other regulations cover lending and interest rates. "There are countless restrictions on the use of the banks' assets," Mr. Reinertsen said.

The commercial banks — the three major banks, which hold about two-thirds of the commercial banks' assets, plus about 15 regional and local banks — nevertheless reported a slight improvement in profits during the first four months of the year. The average profit-to-assets ratio came out at 1.05 percent, up from 0.75 percent in the final four months of 1980, but still far below the 1976-1978 average of 1.3 percent and the 1979 ratio of 1.45 percent.

Bankers and businessmen hope the new government will take steps toward the deregulation of the Norwegian economy. They stress the urgency of action to improve profitability in banking as in industry. The stagnation of industry has been brought about by the crowding-out effect of public sector growth, said Egil Bakke, director of the Federation of Norwegian Industries.

Profitability

"We can't speed up mainland Norway again through credits alone," he said. "It is profitability that has to be improved. On the other hand, it is clear that there is no point in compensating the failure to hold down public spending by reducing banks' lending. That's not rational."

If government oil revenue were excluded, the budget this year would show a deficit of about 20 billion kroner, or 8 percent of gross domestic product (GDP), Mr. Bakke said. He maintains that public spending, consumption and transfers must be dampened. Transfers account for one-half of the government's budget, but "things could be simplified without affecting important social concerns," he said.

The government's revenues last year from the oil sector were 25 billion kroner on a total crude and gas output of 50 million metric tons. Counting the income of industrial supplies to the North Sea operations, Norway's oil earnings grossed 38 billion kroner, about 15 percent of GDP. The ratio could rise to 25 percent toward the end of the 1980s.

This would imply a substantial increase in capital flows. Estimates indicate that the oil sector investment will double from 10 billion kroner last year to about 20 billion by 1982-1984. These prospects are behind the permanent debate concerning the proper use of oil money.

Mr. Rostoft, like most of his colleagues, is convinced that Norway will become a net capital exporter within a few years. He cites one projection indicating that the surplus available for export could reach \$50 billion by the end of this decade. Banks must play the central part in channeling the surplus into overseas markets rather than state institutions, Mr. Rostoft said.

Lars Uno Thulin, executive vice president of Den Norske Creditbank (DNC), said there has been a lack of understanding in Norway concerning trade in "invisible" such as currency trading and other banking activities. This "is a growth sector worldwide where Norway is very competitive. Banks form a foreign exchange earning industry in their own right," he said.

### Top Traders

DNC, the largest Norwegian commercial bank, was the first European bank to set up its own petroleum department, led by Mr. Thulin. "Forty percent of DNC income is generated internationally," he said.

Bankers in Norway are pleased to note that, despite the relatively small size of the Norwegian banking system, two banks — DNC and Christiania Bank — are among the top 15 currency traders in the world.

"Norwegian commercial banks are very efficient," said a foreign banker based in Oslo who describes the DNC foreign exchange dealings room as one of the best in the world. According to him, the Norwegian krone will surely get international market stature although Euro-kroner issues have not yet exceeded 500 million kroner a year.

— JAN KRISTIANSEN

## Foreign Banks Hopeful On Approval by Finland

HELSINKI — Citibank, a leading U.S. bank, hopes to be the first foreign bank to receive the go-ahead to set up a subsidiary in Helsinki, banking sources here say.

A major French bank and a number of other foreign banks have reportedly applied for government authorization to establish branches here, under terms of legislation adopted early in 1980. They had previously been allowed only to have representative offices in Finland.

Finnish banks have objected to the change. They argue that it would be unfair for subsidiaries of foreign banks to be allowed to compete for deposits without being bound by special obligations themselves face such as financing housing loans, loans to students and underwriting state bond issues.

The Bank of Finland has not yet announced the ground rules for foreign bank operations under the legislation.

## NORWAY: Shift to Conservatives Puts Focus on Economic Issues

(Continued from Page 78)

economic forces seem to be moving ahead according to their own inherent logic and without reacting much to political stimuli.

Oil and Gas

Norway has become an oil-producing country for better and for worse. Oil and gas account for nearly one-quarter of the state's tax and other revenue. The proportion is likely to rise more toward the end of the decade. The oil sector's output nearly matches that of the traditional industries of continental Norway.

Oil and gas exports have reached the same level as sales of other industrial goods and services. By the year 2000, the oil sector will probably account for half of all wealth generated in Norway.

In many respects Norway has had fantastic luck. Other countries are faced with heavy government

budget deficits and have to trim spending in vital areas, but Norway will have a surplus this year of about 10 billion to 15 billion kroner.

Other countries face serious external imbalances. Their only means of maintaining competitiveness is to reduce domestic consumption and imports. Norway, on the other hand, will continue to show surpluses on current account, this year in the area of 10 billion kroner. Over a period of time, the surpluses could grow to dozens of billions of kroner annually. Norway will therefore not be forced to follow a policy that could threaten its liberal social benefits or lead to higher unemployment.

A major task for the new government will be to persuade the Norwegian people that cutbacks in public spending are inevitable, and that the high standard of living may have to be lowered in spite of

the strength of the country's external balance.

Much will depend on the trade unions. Despite some foot-dragging, the labor movement has agreed in recent years, partly out of solidarity with the Social-Democratic government, to hold down domestic consumption in order to make up for competitiveness lost during the mid-1970s.

However, it is doubtful that LO, the powerful labor union confederation, will show the same kind of loyalty toward a Conservative government, analysts say. The unions could easily demand a larger share of Norway's oil wealth, in the form of higher pay, after the moderation shown in recent years.

Practical Solution

If the new government implements any significant tax reductions, as promised by the Conservatives during the electoral cam-

paign, the overall impact could be an explosive increase in inflationary pressure, according to analysts.

In a situation of sharply increasing wages and prices, it would not be easy to improve the competitive capacity of Norway's traditional industries. The only practical solution would be to secure a substantial improvement of productivity — the output per worker.

In recent years, productivity growth in Norway has been among the weakest in the industrial world. Since the first crude oil was pumped from the North Sea fields

early in the 1970s, Norwegians have not only experienced the sharpest increase in private consumption in their history, they have also implemented social reforms that tend to reduce labor efficiency.

It would be hard to improve efficiency without touching on these social advantages. Any attempt to do so would certainly set off a political storm and probably lead to defeat for the new government.

Jens Solli is an economic commentator of NRK, the Norwegian radio and television network.

## FINLAND: A Downturn After a Period of Growth

(Continued from Page 78)

competitiveness of Finland's export-oriented industry, said Kai Seramo, a senior official of the Finance Ministry's economic division. Any weakening of Finnish exporters' position in foreign markets, which has so far remained fairly good, could hit Finnish jobs.

Budget

The Koivisto government has had little leeway in working out its cautiously stimulative budget proposals for 1982, partly because of its commitments not to raise the tax burden in relation to GDP, and to avoid borrowing.

A sharp row among the coalition partners over details of the budget brought the government to the brink of collapse early in September. In a move many observers saw as a deliberate attempt to get rid of Mr. Koivisto, who is popular enough to be considered a potential successor to 81-year-old President Urho Kekkonen, the Center Party called for a 0.6-percent increase in the sales tax. The party, which has a rightist orientation, claimed that any other measures would raise costs to enterprises.

Mr. Koivisto, on an open-ended leave from his post as central bank governor since he formed the coalition in May, 1979, rejected the proposal, as did the Communist ministers who had previously pressed for increased spending to support employment and housing construction.

A crisis was averted through a last-minute compromise when President Kekkonen caught a bad cold and was ordered to take a month's sick leave. Mr. Koivisto was asked to take over as acting president, an ironic outcome to the latest round in what is known as the "presidential game" — the jockeying for positions by would-be successors to the aging president.

Government Crisis

A government crisis could have had serious consequences for the "social consensus model" backed by the trade unions, said Pekka Korpinen, director of the Labor Institute for Economic Research. "The mechanism could explode, leading to higher inflation in Finland than elsewhere, and undermine its external competitiveness, which is still fairly good," Mr. Korpinen said.

The Institute believes the spring wage settlement will result in a 12-percent rise in wage costs this year, but this could be down to 8.5 percent next year. The settlement is considered very moderate by government experts, given an anticipated 2-percent annual improvement in productivity.

Mr. Korpinen also believes there is no real case for stepped-up structural adjustment efforts in Finnish industry after the four-year slumping period that preceded the boom conditions of the last two years.

Investment, buoyant during the last two years, has eased off but should pick up at the end of the year as a result of an easing of the financial market, according to the Finance Ministry. Investors have

been helped by the Bank of Finland's relatively low discount rate (9.25 percent), although the bank has kept a tight rein on liquidity to prevent overheating during the recent boom.

In addition to the bank's tough credit squeeze and successive devaluations of the Finnish mark, the harsh measures that entailed a sharp temporary rise in unemployment included severe curbs on the growth of public spending, a refusal to bail out ailing industries, and steps to reduce the tax burden from more than 40 percent in about 35 percent of GDP.

As a result, the government budget deficit has been reduced to roughly 2.5 percent of GDP this year (against 15 percent in Denmark) and the gross borrowing requirement will remain unchanged from last year, in the range of 5 billion Finnish marks to 5.5 billion Finnish marks.

But what is remarkable, Mr. Nars said, is the reduction of Finland's overall net indebtedness from 21 percent of GDP in 1977 to 15 percent by the end of last year.

The oil import bill has risen sharply, but the impact has been mitigated through favorable trading arrangements with the Soviet Union that help Finland meet the major part of its crude import requirements.

Combined with better-than-anticipated trade figures in the first half of this year, this points to a fairly limited widening of the country's current-account deficit from last year's 5.2 billion Finnish marks.

Against that background, the Bank of Finland has moved cautiously to ease its stringent monetary controls. Last April it lowered the interest on call money (it has been raised slightly since) and eased the cash reserve deposit obligation imposed on the deposit-taking banks. These deposits with the central bank reached a peak of nearly 3.5 billion Finnish marks last March, but were down to 2.3 billion by the end of June.

Reduced Debt

Finland's seven commercial banks have meanwhile reduced their total debt to the central bank from about 4.8 billion Finnish marks at the end of last year to 3.5 billion last July. "They consider the situation as more satisfactory," Mr. Nars said.

Soaring interest rates on the international market have deterred corporate borrowing abroad. Companies should have increased access to domestic funds toward the end of the year, according to analysts in Finland.

The top two commercial banks, Kansallis-Osake-Pankki and Union Bank of Finland, recorded balance sheets of 24 billion Finnish marks last year, respectively 27 and 20 percent higher than in 1979. Figures for the third-ranking commercial bank, Bank of Helsinki, and Postipankki, the Post Office Bank which is the third largest deposit-taking bank, were respectively 4.4 billion and 15.1 billion Finnish marks, for increases of 15 percent and 12 percent.

— JAN KRISTIANSEN

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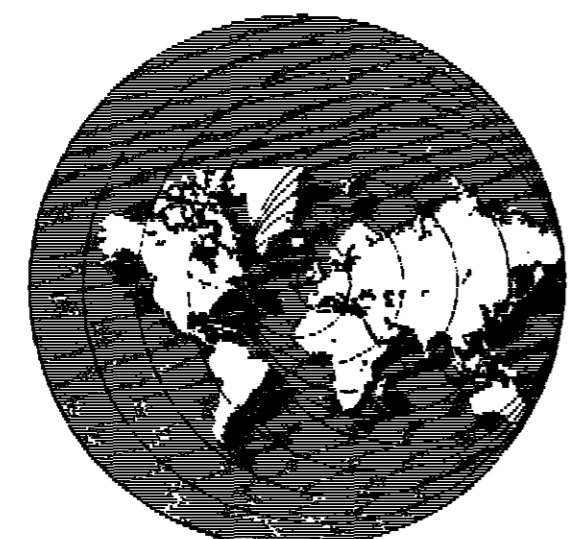
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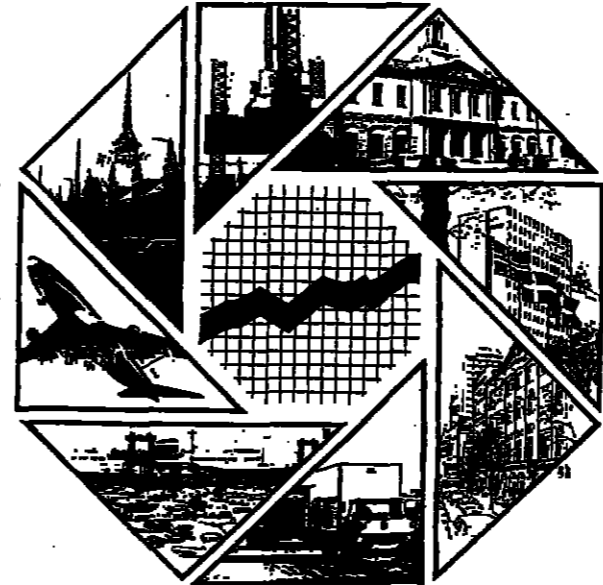
In 1980 and the first three months of 1981, the issues lead-managed were the following:

- Ente Nazionale Per l'Energia Elettrica, US \$ 200,000,000 (1980-1987)
- Ente Nazionale Per l'Energia Elettrica, US \$ 200,000,000 (1980-1987)
- United Mexican States, FF 150,000,000 (1980-1985)
- European Economic Community, US \$ 70,000,000 (1980-1995)
- European Economic Community, US \$ 26,000,000 (1980-1985)
- CIT-Alcatel, FF 150,000,000 (1980-1990 conv.)
- Renault, FF 300,000,000 (1980-1985)
- ICI-Honeywell Bull, FF 225,000,000 (1980-1985)
- La Redoute, FF 125,000,000 (1980-1985)
- Gaz de France, US \$ 80,000,000 (1981-1986)
- E.D.F., US \$ 125,000,000 (1981-1988)
- S.N.C.F., US \$ 75,000,000 (1981-1991)
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# Danish Bankers Take An International Tack

By Steffen Lenschau-Teglers  
**COPENHAGEN** — More aggressive competition at home and the growing involvement of Danish companies in overseas markets are prompting Danish banks to put increased emphasis on the internationalization of their activities.

Top executives of Denmark's five leading banks say their strategy during the next few years will be to increase their capacity for offering corporate customers comprehensive international services — ranging from market information and advice to financing and capital management — and credit mediation between Denmark and the international markets.

At the same time, the banks envisage much greater use of electronic technology. By the end of this decade, they could emerge as "financial supermarkets" capable of providing private customers advice and assistance in all areas of household economics, from consumer financing to tax problems. A leading banker said, "People won't be going to their banks so much in order to get money as to get advice." Denmark, too, is moving toward the cashless society.

The big five Danish banks — Kjobenhavns Handelsbank, Den Danske Bank, Privatbanken, Andelsbanken and Provinsbanken — feel they have to follow, or in some cases precede, Danish firms in foreign markets to provide financing, advice and other services, abroad and at home. Otherwise they risk losing customers to major foreign banks with branches already established in Copenhagen.

More important, they expect foreign operations to account for a growing part of their earnings. Competition is sharp on the domestic market, and the possibilities for increased profits are limited. Experience has shown that trying

to take customers from other banks on a large scale is too costly.

The banks believe their best opportunity for maintaining earnings growth is to make headway in the international market as intermediaries for credits to Danish corporate borrowers, the state, municipalities and public utilities. Increased participation in organizing syndicated loans should bring good income over a period of time because of the volume involved.

Leading Danish bankers believe that banking, in a decade or more, will become a currency-earning industry.

"The outlook for domestic growth is dim," said Handelsbank's Henning Gade. The idea behind the growing emphasis on activities abroad is "to follow the customers just like the big American banks have been doing for years," he said.

Foreign Loans  
Through participation in Nordic consortium banks with subsidiaries in world financial centers — the course chosen by Handelsbank — or by setting up their own subsidiaries and branches abroad, Danish banks are in a position to provide foreign loans directly to their Danish customers.

For 10 years, leading by Danish banks was curtailed by a credit ceiling system applied to each bank. This accentuated the bank's go-between role for loans from foreign banks to Danish customers.

"It is bad having to lend other people's money when you have funds of your own," Mr. Gade said.

The ceiling system was suspended last November and replaced by liquidity control based on the sale of government paper and regulated access to central bank credit.

Den Danske Bank already derives a substantial share of earnings from overseas operations that forms the basis of much of its leading, said Knud Sorensen, one of the bank's executives. He feels

These measures, combined with the rise of the U.S. dollar, have helped improve Danish exporters' competitiveness by 15 percent during the last two years, officials say. They have regained market shares despite sluggish demand on major export markets.

Social Spending  
At the same time, authorities see a clear downward trend in the current-account deficit. It remains large, at an estimated 13.5 billion kroner, but this amounts to 3.3 percent of GDP, more than one percentage point less than the 1979 deficit of 15.3 billion. "This year's deficit practically matches the total interest payments on our foreign debt," a government economist said.

The huge debt and the current-account deficit are clearly linked with the high level of social spending — social benefits of the Danish welfare state account for 36.8 percent of public expenditures this year — as well as the additional cost of generous compensation to the jobless through state-backed unemployment insurance. "The jobless should not have to shoulder the burden of the recession," Labor Minister Svend Auken said. Unlike Norway and Sweden, Denmark has avoided subsidizing uneconomic enterprises, which explains the nation's much higher jobless rate, a company economist said. At the same time, it has made Danish companies healthier. In addition, the prospect of reducing Denmark's dependence on imported oil by the mid-1980s is a

## Scandinavia's 25 Largest Banks

Ranked by Total Assets at Year's End

Rank	Name	Head office	Assets 79-80 (billion)	Change 79-80 (percent)	Income 79-80 (million)	Change 79-80 (percent)
1	Swedish Bank	Stockholm	26 175.0	+25.4	282.3	+5.0
2	Norwegian Bank	Oslo	18 838.0	+18.3	380.2	+14.4
3	Swedish Bank	Stockholm	12 908.0	+23.4	243.3	+15.9
4	Swedish Bank	Stockholm	10 177.0	+34.7	244.0	+82.0
5	Swedish Bank	Stockholm	9 743.3	+12.3	—	—
6	Swedish Bank	Stockholm	8 610.4	+14.7	273.2	+23.2
7	Swedish Bank	Stockholm	8 382.2	+2.4	337.0	+4.8
8	Swedish Bank	Stockholm	8 278.3	+23.1	190.0	+32.1
9	Swedish Bank	Stockholm	7 911.2	+26.8	202.1	+33.9
10	Swedish Bank	Stockholm	7 427.9	+3.1	190.8	+27.9
11	Swedish Bank	Stockholm	7 230.1	+20.3	200.8	+77.4
12	Swedish Bank	Stockholm	7 222.8	+7.2	237.7	+21.8
13	Swedish Bank	Stockholm	7 178.7	+3.7	236.0	+147.0
14	Swedish Bank	Stockholm	6 788.0	+2.4	188.9	+76.4
15	Swedish Bank	Stockholm	6 744.4	+25.8	163.3	+46.1
16	Swedish Bank	Stockholm	6 737.8	+12.3	135.3	+32.2
17	Swedish Bank	Stockholm	6 238.1	+25.5	84.9	+8.2
18	Swedish Bank	Stockholm	6 244.8	+16.2	80.8	+88.0
19	Swedish Bank	Stockholm	6 186.7	+2.8	85.8	+37.7
20	Swedish Bank	Stockholm	6 178.0	+28.3	84.8	+48.8
21	Swedish Bank	Stockholm	6 082.2	+2.0	85.8	+24.5
22	Swedish Bank	Stockholm	5 992.0	+18.9	81.5	+31.0
23	Swedish Bank	Stockholm	5 985.4	+25.5	78.3	+38.0
24	Swedish Bank	Stockholm	5 978.0	+28.5	78.8	+32.1
25	Swedish Bank	Stockholm	5 968.0	+19.8	119.3	+6.9

the bank will place a larger emphasis, in the future, on exporting Danish banking expertise and repatriating profits that would benefit the bank's growth and the Danish balance of payments.

Expansion Abroad  
Privatbanken's Sten Rasborg said, "Expansion abroad is seen as our ticket to continued growth and earnings through the 1980s."

Privatbanken has done many things to help small and medium-size enterprises move into the export business. It has set up an export financing department that helped four companies arrange the financing of a 500-million-kroner order for prefabricated houses to El Asnam, the earthquake-stricken Algerian town. The bank sees a potential export market in the housing

ing construction sector, Mr. Rasborg said.

Kjeld Knudsen of Andelsbanken sees good prospects opening up for Danish banks internationally. Aside from the growing financing needs of Danish business and industry, he cites the large public-works projects being planned in Denmark's energy sector. "I believe we have to be increasingly in a position to organize financial packages," he said.

Egil Hestrup, director of Provinsbanken, said overseas expansion by the big Danish banks is a necessity.

Steffen Lenschau-Teglers is a staff writer for the Danish economic and financial monthly *Maaanedens Borsen*, published in Copenhagen.

cause for intense satisfaction in government and industry.

Denmark spent 21 billion kroner, about 5 percent of its GDP, on energy imports last year. By 1984-1985, if all goes well, oil and gas from Danish offshore fields in the North Sea should meet 40 percent of the country's requirements. This will mean welcome relief for the payments balance.

The Gorm field, about 700 kilometers west of Jutland, came on stream in the spring. With output from smaller wells, Danish production should total about 500,000 tons of crude this year. It should rise to 2.4 million tons next year, representing nearly one-fifth of the 1980 import level of 13.3 million tons.

— JAN KRISTIANSEN

## NIB Expanding At Steady Pace

(Continued from Page 75)

1980, NIB granted 31 loan equivalents to 132 million SDRs.

Of last year's lending, 66 percent was investment loans in member countries. Under this heading, only 16 percent went to the energy sector, whose share will rise substantially this year. About one-fifth of the investment loans went to the engineering industry as a contribution to much-needed structural adjustment and improved efficiency.


Of last year's overall lending, 12 percent was earmarked for export credit, involving capital goods supplies to African countries and the delivery by a Finnish group of a ferro-chrome plant to be set up in Greece on a turnkey basis, with companies from other Nordic countries taking part as subcontractors.

**THIS special report on banking and finance in Scandinavia was prepared by the International Herald Tribune's special supplements staff in cooperation with Agence France-Press and its bureaus in Scandinavia. A report on Scandinavia's new wave of economic conservatism by IHT staff correspondent Axel Krause appeared on Page 1 of the Oct. 6 editions of the IHT.**

The remaining 22 percent went to a regional lending scheme launched for a two-year trial period last year with funds being channeled via regional development authorities to medium-size and small companies in the five countries. The bank hopes to get the go-

ahead soon for a new type of lending that would focus on participation in project investment loans. The intention would be to help finance joint project exports by Nordic companies, involving technology, know-how and equipment,

to developing nations and perhaps to state trading countries. "We have made this bank function well," said NIB vice president Erik Rindal. "I think industry, bankers and politicians will subscribe to that."



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## DENMARK: Hope Is Rising as Measures Begin to Bite

(Continued from Page 75)

followed by a devaluation of the Danish krone.

Stimulating Output  
In a second package in the spring of 1980, the value-added tax was raised, the 1979-1980 oil price rises were passed on to households through higher taxation, and companies were granted investment incentives and tax relief on profits. The purpose was to stimulate output and job creation.

As a result, real disposable income of households has dropped by 13 percent to 14 percent from the mid-1970s. "There is hardly any country in Europe which has experienced such a dramatic restriction of buying power," one of Mr. Norgaard's aides said.

These measures, combined with the rise of the U.S. dollar, have helped improve Danish exporters' competitiveness by 15 percent during the last two years, officials say. They have regained market shares despite sluggish demand on major export markets.

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— JAN KRISTIANSEN



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# Can you identify Sweden's most international bank?



The bank is the leading commercial bank in Sweden, with foreign business, international issues and investment banking as its specialties. Internationally it ranks eleventh in terms of foreign exchange business (Euro-money 1981).

You will find it in Athens (for the Middle East), Luxembourg, Madrid, Mexico City, Moscow, New York, Oslo, Paris, São Paulo, Singapore and Tokyo. It is represented in London, Frankfurt, Geneva, Amsterdam by associated banks and in Sydney.

The bank handles about 50% of all payments between Sweden and other countries. It has 367 offices in Sweden — and a number of domestic subsidiaries — serving 70% of all companies listed on the Swedish Stock Exchange.

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BUSINESS NEWS BRIEFS

Seagram Agrees to Limit Holding of Du Pont

MONTREAL — Seagram said Tuesday it has signed a friendly long-term agreement with Du Pont to limit its holding in that company's voting stock.

Lukens Complains of Dumping by Japan Steel

COATESVILLE, Pa. — Lukens Steel, the leading U.S. producer of stainless-steel-clad plate, filed a complaint with the Commerce Department Tuesday charging Japan Steel Works with selling clad plate on the U.S. market at less than production cost.

Komatsu Predicts Record Income, Sales for '81

TOKYO — Komatsu, a leading Japanese manufacturer of construction equipment, said Tuesday it expects to report record net income and sales for the business year ending Dec. 31, despite a fall in domestic sales.

Guthrie Recommends Share Sale to Pernas

LONDON — Guthrie Corp.'s board has reluctantly decided to recommend that shareholders accept an offer from Permodalan Nasional Berhad, or Pernas, to buy all of Guthrie's common shares, it said Tuesday.

Pan Am Plans to Cut Fares To London by up to 59%

NEW YORK — Pan American World Airways, in an effort to attract more passengers to its London routes, including a one-way unrestricted fare between New York and London for \$261.

Sources in Kuwait Report New Effort For OPEC Talks

BAHRAIN — OPEC oil ministers are trying to arrange a meeting in Geneva on a new unified price decision on whether to hold the talks is possible next week, informed Kuwaiti oil sources said Tuesday.

The Gulf sources said there was pressure to decide on the meeting quickly, because some ministers felt that to have talks too close to the Abu Dhabi discussions would be pointless.

Iraq Reportedly to Cut Crude Oil Price by \$2

TOKYO — Iraq will lower the price of its crude oil by \$2 to \$34.93 a barrel effective to Oct. 1, Kyodo news service reported Tuesday. It said Japanese oil companies received notices about the price reduction Tuesday from Iraq National Oil, which is state-owned.

Sadat's Death Sends Markets Into Turmoil

NEW YORK — World financial markets slipped into turmoil Tuesday in reaction to the news that Egyptian President Anwar Sadat had been shot and then had later died.

At the opening of foreign exchange markets in New York, the dollar spurted on first reports Mr. Sadat had been wounded in an assassination attempt, dealers said.

The dollar climbed to a high of 2.2655 Deutsche marks, but by midday it had slipped to 2.2405 DM. Monday the dollar closed at 2.2277 DM.

"The markets took it [the attack on Sadat] quite calmly," said Edward Yardeni, chief economist at the investment firm of E.F. Hutton.

The price of gold in New York jumped to \$495.50 an ounce from London's afternoon fix of \$443 after Mr. Sadat's death was confirmed in Cairo, dealers said.

In Zurich, gold surged by about \$20 an ounce at one point in hectic afternoon trading, reaching \$458. Later, Zurich gold quotes

standardized at \$453.50, where dealers said the market closed.

In Europe, the dollar began the day declining in continuing reaction to the weekend revaluation of the mark within the European Monetary System and lower U.S. interest rates.

On London's foreign exchange market, the dollar closed sharply higher against most currencies amid a scramble for dollars inspired by concern about possible new tension in the Mideast, dealers said.

The dollar rose over 2.27 DM shortly after confirmation of Mr. Sadat's death. But it eased later to close at 2.2540 DM compared with Monday's closing 2.2265. The pound dropped to \$1.8490 from Monday's \$1.8542.

In Frankfurt, the dollar rose in hectic late trading to around 2.28 DM after Mr. Sadat's death was officially announced as operators tried to cover short positions established early in the day, dealers said.

Many short dollar positions had already been closed out during the hours of uncertainty following initial news of the attack on Mr. Sadat, when the dollar had traded around 2.25

DM, three pence up on Tuesday's first quotes.

The dollar began the day at around 2.22 DM and quickly established an easier tone, largely on the back of softer Eurodollar deposit rates, dealers said.

During this period many operators are believed to have established short dollar positions against the mark and other Continental currencies, later prompting what one dealer described as "a mad scramble for dollars."

The Bundesbank did not intervene at the 2.2470 DM fixing, during the period when it was believed Mr. Sadat had been only wounded, but was thought to have sold dollars on official news of his death at around the 2.2850 DM level.

In Paris, the dollar closed sharply higher in thin trading at 5.65-67 francs after touching 5.72 briefly just after the news, compared with the fixing of 5.6175.

Prices on U.S. commodity futures markets were mixed. Precious metals futures moved sharply higher then slipped somewhat. Cocoa and sugar futures markets in New York eased slightly after early rallies.

Commodity markets in London reacted nervously to the news with metals ending near their day's highs, dealers said. Most non-ferrous metals on the London metal exchange moved higher with gold in active trading, but also fluctuated in line with currency movements on a confused foreign exchange market.

U.S., Japan Warned on Gap in Trade

TOKYO — Japan has been told it faces a renewal of trade friction with the United States unless it makes efforts to open its markets to U.S. products, government officials said Tuesday.

They said the warning was issued in a report by the so-called Japan-U.S. Business Council, shortly after a private Japanese research institute predicted the bilateral trade imbalance this year would soar to a record \$13 billion in Japan's favor.

The council, a semi-official advisory group, said in the reports to President Reagan and Japanese Premier Zenko Suzuki that trade friction would be revived unless Japan made quick efforts to open its markets and the U.S. redoubled export promotion, officials added.

Established last year by both governments to help prevent a resurgence of trade friction, the council said without giving figures that the bilateral trade balance this year had already reached a record level and was expected to expand.

The council also expressed concern over the possibility of a trade friction of a new and more complex type in view of the slow progress of bilateral negotiations on Japanese quota allocations for agricultural products.

Headed by Japan's former minister for external economic affairs, Nobuhiko Ushiba, and former U.S. ambassador to Japan, Robert Ingersoll, the council said while Japanese markets had been opened for some manufactured goods, non-tariff barriers remained.

Japanese agriculture continued to be protected heavily, it added.

The second and final report compiled by the council was released only five days after the Japanese government adopted a broad and largely unspecified program to boost imports in an effort to avert trade friction with the United States and Western Europe.

Meanwhile, Japan's private Yamachi Research Institute of Securities and Economics also warned of fresh trade friction between Japan and the United States and Western Europe following a big rise in Japan's current-account surplus.

The institute predicted that the surplus would reach \$8.9 billion in the fiscal year ending next March, and climb to a record \$14.2 billion in fiscal 1982. This compares with the previous high of \$13.9 billion in fiscal 1977.

The carrier, which had a loss of \$240 million in the first half of this year, also announced cuts in its first-class Chippewah fare. The one-way fare between New York and London would fall to \$526 from \$732.

Michael Derchin, airline analyst for Oppenheimer & Co., said the cuts were typical of the approach of C. Edward Acker, the former chairman of Air Florida, who took over as chairman and chief executive of Pan Am in September.

Mr. Derchin said Mr. Acker was bringing to Pan Am the strategy he used to build Air Florida. He added that at this point it was a low-risk strategy since Pan Am was flying with many empty seats. He added that the strategy might attract more passengers during a seasonal downturn for all international carriers.

"The bet is," Mr. Derchin added, "that it will generate more business than he will lose in terms of revenue from lower fares."

Arabs Protest IMF Clash With Holy Feast

By Hobart Rowen Washington Post Service WASHINGTON — Saudi Arabia and other nations are threatening to boycott next year's joint annual meeting of the World Bank and International Monetary Fund in Toronto because the scheduled dates conflict with the Muslim festival of Id al-Adha.

This holiday, one of the two most important in the Islamic religion, is a feast marking the end of the annual pilgrimage to Mecca. One official said it is of the same relative order of importance as Christmas is for Christians.

A group of Arab nations petitioned the IMF and World Bank at last week's sessions in Washington to change the dates for the meeting next year — Sept. 28 through Oct. 1 — to avoid the conflict. The matter was referred to the executive directors of both agencies "on an urgent basis."

But Canadian officials, to whom the Arab group has appealed separately, have said that it will be difficult to get hotel space for the meetings at any other time. This year, 10,500 officials and guests registered for the meetings here.

No Conflict With Ramadan In 1975, at the request of the Arab nations, the annual meeting was advanced to the end of August from the end of September to avoid a conflict with the holy month of Ramadan.

At the latest annual meeting, the first two days of the four-day session coincided with Rosh Hashanah, the Jewish new year. Israeli officials last summer had expressed their regret over the schedule for the 1981 meeting, but World Bank-IMF officials, who said they had received no other complaints, told the Israelis they had not been aware of the potential conflict, and there was not enough time to shift the dates. The Israeli central bank has sent World Bank-IMF officials a 10-year calendar showing the dates of Rosh Hashanah and the other Jewish high holy days.

Conflicts with Jewish high holy days have been frequent in recent years. The Jewish new year also coincided with the annual meetings in 1973 in Nairobi and in 1979 in Belgrade, and Yom Kippur, the Jewish day of atonement, coincided with the annual meeting in 1976 in Manila.

India Loan Talks Completed NEW DELHI (Reuters) — Negotiations for a \$5.7-billion IMF loan were completed to the satisfaction of the Indian government and the IMF management, an Indian spokesman said Monday.

Said the spokesman, officials had expressed reservations about the loan — the largest of its type ever granted by the IMF — saying India was not poor enough and the conditions attached not rigid enough for a loan of such size.

Some bankers are already picking holes in the plan and the projections that serve as its foundation. "People just don't accept the numbers" provided by Harvester to prove it can remain viable, one banker said. Harvester's projections have been "inducious all year," an analyst said. "They've never come close" to matching actual results.

In its latest projections, Harvester sees a return to operational profits by Oct. 31, 1983, and "tremendous improvements" in its costs of achieving sales, one of the main factors in determining a company's profitability, one lender said. In the nine months ended July 31, the company sold \$5.26 billion of products, but its costs and expenses totaled \$5.79 billion, including \$4.74 billion representing the cost of sales. With Harvester operating at what one lender called an efficiency rate of about 50 percent, "it's very hard to see how their performance can improve that much," he added.

On top of the specific objections, lenders say it will be difficult to obtain agreement among Harvester's more than 200 lenders, simply because of the divergent interests involved. "It's hard to get 200 people to agree on anything," said one banker, who noted that Harvester's foreign lenders do not always share the views of its U.S. lenders, while some of Harvester's smaller regional lenders feel they are being railroaded into an agreement by the big banks.

As reported, the new plan calls for lenders to convert Harvester's short-term debt into a \$1.5-billion term loan and to convert its credit subsidiary's short-term debt into a \$1.9-billion term loan. Both loans would be repayable Dec. 15, 1983, although Harvester has conceded that it could not repay them by then and would expect to renegotiate the loans in 1983.

The new proposals include several significant changes from the earlier plan, notably that loans to the parent company would be secured against its fixed assets, including Harvester's major U.S. plants, instead of being unsecured. In addition, the parent company would not have to pay more than 16-percent interest in cash, and the credit unit would not have to pay more than 11 percent in cash, with any excess interest charges being paid in the form of notes and warrants to buy Harvester common shares. The company also would suspend preferred dividend payments for the life of the two-year agreement.

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U.S. Oil Stocks Rally As NYSE Prices Slip

NEW YORK — Stock prices, which seceded early in the day following the assassination of Egyptian President Anwar Sadat, turned lower Tuesday afternoon as domestic-oil issues staged a rally.

The Dow Jones industrial average, which had climbed more than 3 points and dropped nearly five in the first hour, closed off 3.61 at 856.26. It shed 0.86 Monday.

The NYSE turnover amounted to about 45.4 million shares, down from the 51.29 million traded Monday.

Declines edged advances 792-659 among the 1,850 issues traded. Prices were higher in moderate trading of American Stock Exchange issues.

Investor Uncertainty Analysts said the slower trading pace indicated investors, like the rest of the world, were uncertain about the ramifications of Mr. Sadat's death.

Brokers said orders dried up quickly after word of Mr. Sadat's shooting circulated the investment community, which had been encouraged recently by a decline in interest rates.

Many speculators and professional traders tried to capitalize on the uncertain conditions in that part of the world by purchasing domestic oil stocks that do not have large Middle East holdings. Oil prices may rise soon.

Investors also were encouraged as interest rates continued to decline gradually. Many were hopeful the Federal Reserve's Open Market Committee would decide to ease credit a bit at its Tuesday meeting.

Sluggishness Expected Most analysts, noting the Dow industrial average had climbed 36.72 points in the five sessions last week, said they had expected some sluggishness because of profit taking that became a factor late Monday.

On the NYSE trading floor, domestic oil performed well. Atlantic Richfield climbed 2 1/2 to 46. Ashland rose 1 1/2 to 31 1/2. Getty put on 2 1/4 to 61 1/2. Superior Oil was higher after a block of 100,000 shares at 34. Ohio Standard was strong following a block of 133,000 shares at 43. Union Oil of California, Marathon, Cities Service, and Phillips Petroleum were in the winning column most of the day.

However, Indiana Standard was lower with a block of 100,000 shares at 54. The company has considerable interest in Egyptian oil exploration and production. Castle & Cooke grabbed attention in trading that included a block of 949,900 shares at 9 1/2. Santa Fe International was sharply higher. Kuwait has agreed to buy Santa Fe for \$2.5 billion, or \$51 a share.

After news reports of the Kuwait deal appeared in newspapers Tuesday morning, sources close to Rep. Rosenthal said brokers associated with the Pacific Stock Exchange told him about the call orders.

WEEKLY NOTIFICATION COMPTREND II A MANAGED COMMODITY ACCOUNT Equity on January 1, 1981: \$100,000.00 Equity on October 1, 1981: \$278,455.46 after all charges

For information call or write Royal Fraser, or Ian Somerville, TAPMAN: Trend Analysis and Portfolio Management, Inc., Wall Street Plaza, New York, New York 10006, (212) 268-1041, TELEX BNL 667173 UAW. TAPMAN is a wholly owned subsidiary of Balfour, Beatty International Ltd.

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AMSTERDAM DEPOSITORY COMPANY N.V. Amsterdam, September 28, 1981

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CURRENCY RATES Table with columns for Location, Currency, and Rate. Includes interbank exchange rates for Oct. 6, 1981, and Dollar Values.

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NYSE Nationwide Trading Closing Prices Oct. 6

Tables include the nationwide prices up to the closing on Wall Street.

NYSE Nationwide Trading Closing Prices Oct. 6. Tables include the nationwide prices up to the closing on Wall Street. Columns include 12 Month High/Low, Stock Name, 5 Yr. P/E, and Close.

AMEX Nationwide Trading Closing Prices Oct. 6

Tables include the nationwide prices up to the closing on Wall Street.

AMEX Nationwide Trading Closing Prices Oct. 6. Tables include the nationwide prices up to the closing on Wall Street. Columns include 12 Month High/Low, Stock Name, 5 Yr. P/E, and Close.

Sales figures are unofficial. Unless otherwise noted, rates of dividends in the foregoing table are annual dividends based on the last quarterly or semi-annual declaration. Stock of extra dividends or payments not declared as regular are identified in the following footnotes.

European Gold Markets. Oct. 6, 1981. Columns include London, Zurich, and Paris prices for various gold products.

Toronto Stocks. Closing Prices, Oct. 5, 1981. Columns include High/Low, Stock Name, and Close.

Montreal Stocks. Closing Prices, Oct. 5, 1981. Columns include High/Low, Stock Name, and Close.

European Options Exchange. Gold Options. Columns include Price, Bid, and Ask for various options.

Canadian Indexes. Oct. 6, 1981. Columns include Toronto, Montreal, and Vancouver indices.

European Stock Markets. Oct. 6, 1981. Columns include Amsterdam, Paris, London, and Zurich markets.

Gold Options (prices in \$/oz.). Columns include Price, Bid, and Ask for gold options.

Tokyo Exchange. Oct. 6, 1981. Columns include various Japanese stock prices.

London. Columns include various UK stock prices.

Paris. Columns include various French stock prices.

Zurich. Columns include various Swiss stock prices.

Milan. Columns include various Italian stock prices.

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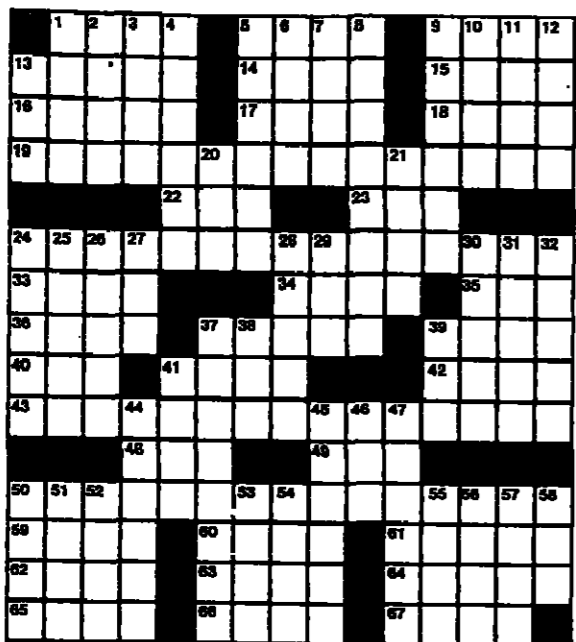
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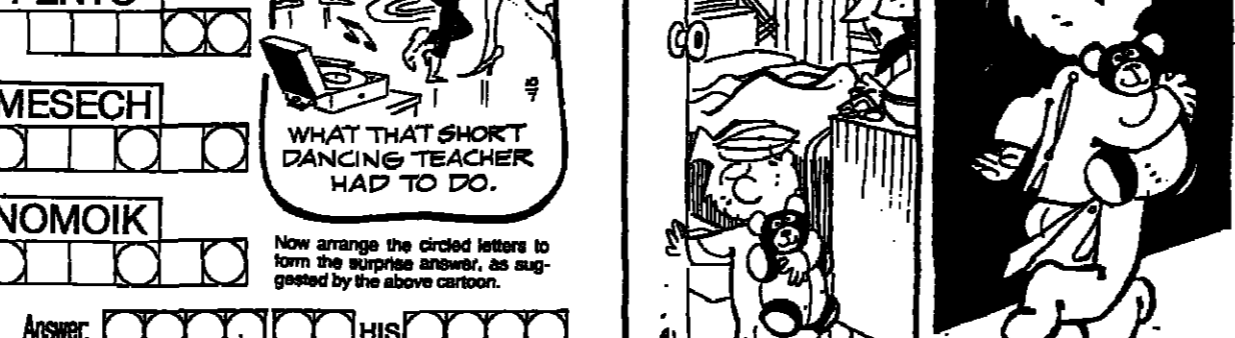
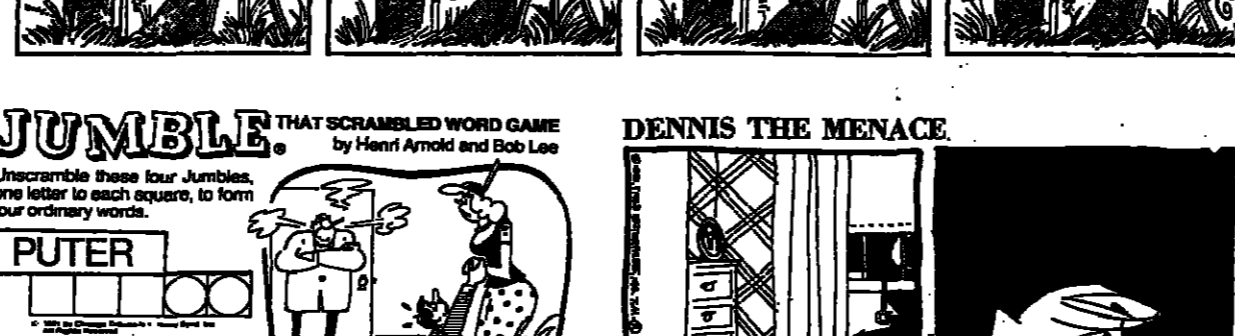
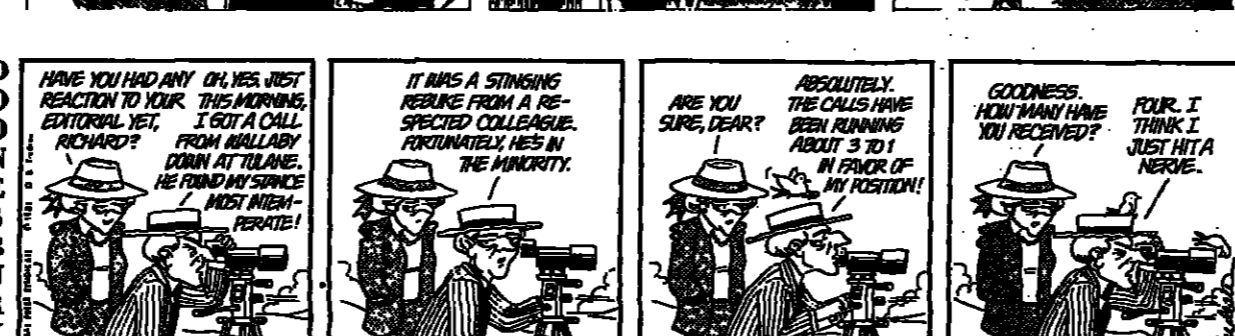
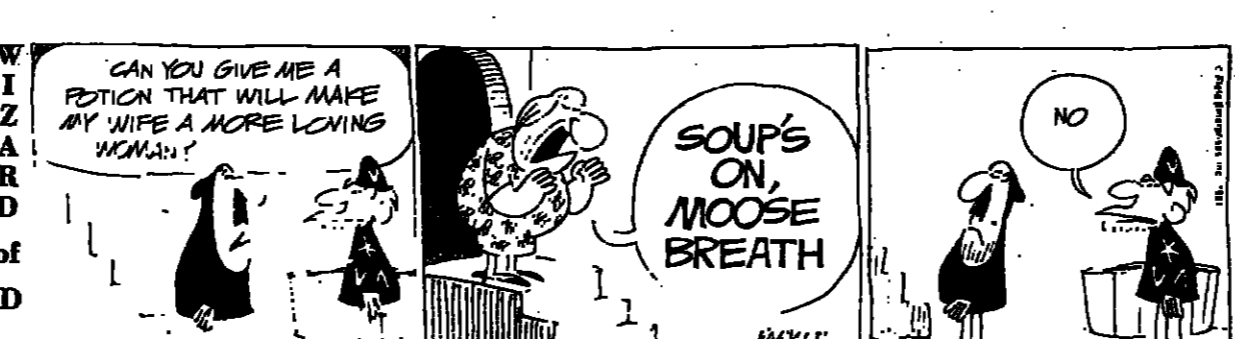
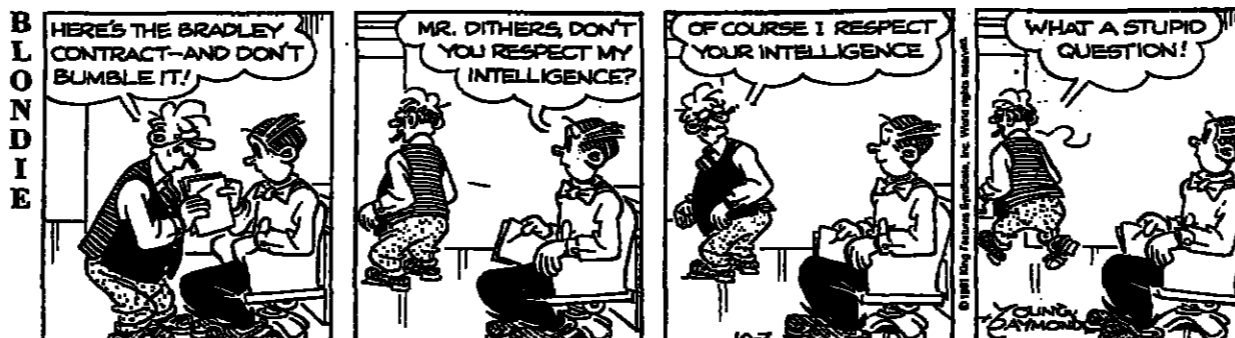
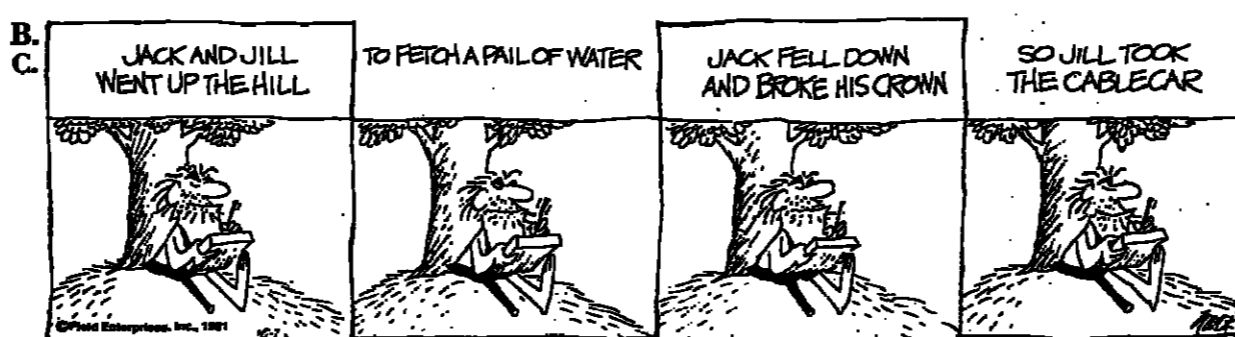
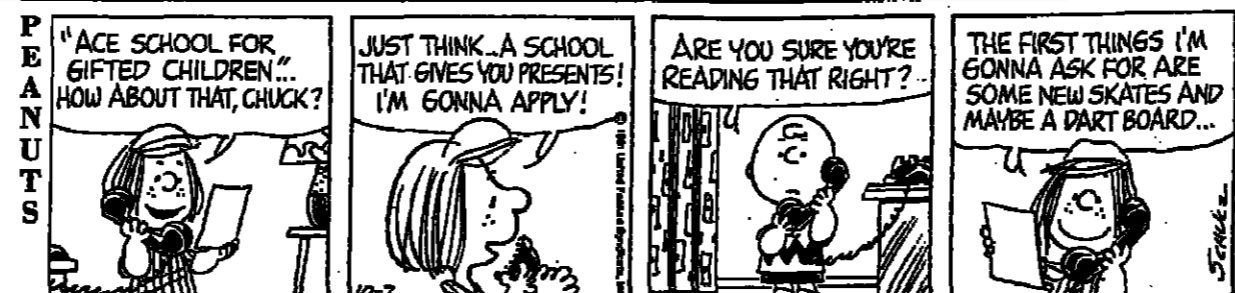




CROSSWORD By Eugene T. Malaska



- ACROSS: 1. Huron, Knight, e.g. 5. Kind of devil... 13. Dries... 14. Atlas abbr. 15. On the safer side at sea... 16. Stylus or Gillette... 17. Simple's partner... 18. Reasonable... 19. One goal of the E.P.A. 22. Willys... 23. Knight, e.g. 24. Belligerence... 34. Head... 35. Part of a baby's routine... 36. Spun, as a web... 37. On the Rhine... 38. Sound... 40. Double this for a Hebrew hymn... 41. Certain... 43. Kind of jacket... 44. Extrication... 48. Resinous substance... 49. Alliance... 59. Ingenious... 60. Harvest... 61. Part of Q.E.D. 62. Source of a fiber for rope... 63. Japanese beverage... 64. Last's containing emotion... 65. Jejeune... 66. O'Casey or Connery... 67. Steps or degrees... 25. Ancient Greek... 26. Island discovered by Columbus: 1483... 27. Nautical chain... 28. Author of "Romance-bolton"... 29. Pay dirt... 30. Kinsman on the mother's side... 31. Stylish shop... 32. Exhausted... 37. Messy top... 38. Heavenly altar... 39. Haw's partner... 41. Retorically... 44. Married on the run... 45. Act of... 46. Medieval lyric poem... 47. Sleep slope... 48. Sky Base... 49. Approximate... 52. Pen name of R. H. Munroe... 53. "Dies"... 54. Roman-leave... 55. 1968 Pulitzer recipient... 56. Dialectic... 57. Twelfth... 58. Morning moisture... 1. Southern dish... 2. Of the ear... 3. Newspaper... 4. Medium's state... 5. Leave... 6. Astringent... 7. Soprano Grist... 8. Dismale... 9. He... 10. U.S.S.R. motto... 11. Splitville, U.S.A... 12. Flattened by hammering... 13. Line Carroll's... 20. "Tall" and terrific... 21. Comfort, in Cannes... 24. Intimidated



BOOKS

RICHARD NIXON The Shaping of His Character By Fawn M. Brodie. (Illustrated.) 574 pp. \$18.95. W. W. Norton & Co., 500 Fifth Ave., New York 10110. Reviewed By Christopher Lehmann-Haupt

THE late Fawn M. Brodie was something of a psychologist or so one would have to conclude from passages in the two books that she published prior to the current one. "The Devil Drives: A Life of Sir Richard Burton" and the controversial "Thomas Jefferson: An Intimate History"...

Christopher Lehmann-Haupt is the staff of The New York Times.

Best Sellers

- 1 THE HOTEL NEW HAMPSHIRE by John Irving... 2 CLUB by Stephen King... 3 NOBLE HOUSE by James Clavell... 4 THE THIRD DEADLY SIN by Lawrence Sanders... 5 GORKY PARK by Martin Cruz Smith... 6 GOODBYE, JANETTE by Barbara Robinson... 7 NIGHT STUDIES by James T. West... 8 BREAD UPON THE WATERS by Irwin Shaw... 9 THE LAST DAYS OF AMERICA by Paul Fournelle... 10 THE GLITTER DOME by Joseph Wambaugh... 11 LUCIFER'S DICK by Jack Higgins... 12 THE CLOWNS OF GOD by Maurice Strakosky... 13 WOMEN'S WORK by Anne Tirol and Wallace... 14 CHANCES by Jackie Collins... 15 THE BEVERLY HILLS DIET by Judith Jones... 16 THE LORD GOD MADE THEM ALL by James Elroy Ray... 17 NEVER SAY DIE! BOOK by Richard Simon... 18 THE CINDERELLA COMPLEX by Colette Dowling... 19 MISS FORTY-TWO TO LIFE by Miss Piggy as told to Henry Beard... 20 LIVING ALONE & CRIBBING IT by Lynn Shabazz... 21 HOW TO MAKE LOVE TO A GIRL by Alexander Penny... 22 KEEP BURRO... 23 COSMOS by Carl Sagan... 24 THEORY OF SETS by G. Cantor... 25 THE EAGLE'S GIFT by Carlos Casarola... 26 THE BITE REPORT ON MALE SEDUCTION by Stephen King... 27 JANE BRODY'S NUTRITION BOOK by Jane Brody... 28 SOCIAL STUDIES by Herb Lubowit... 29 YOU CAN NEGOTIATE ANYTHING by Herb Cohen

Artist Donates Works

CITTA DI CASTELLO, Italy — Alberto Burri, one of Italy's leading contemporary artists, after resisting pressure from New York, Paris and Rome, has announced that he would donate his life works to his native city, which has poured nearly \$1 million into a one-man museum. Burri is known for his collages of burlap sackcloth, cracked paint and wood combustion.

Table with 2 columns: Solution to Previous Puzzle, and a grid of letters.

BRIDGE

By Alan Truscott

AN event that was developed in New York City and has found surprisingly few imitators, is the triathlon, in which four players compete as a team, as pairs and as individuals, with overall rankings in all three categories.

Bridge game diagram showing North and South hands, bidding sequence, and a final deal.

WEATHER

Weather forecast table with columns for High, Low, and conditions for various cities like Albany, Albuquerque, Amsterdam, etc.

ADVERTISEMENT INTERNATIONAL FUNDS

Table listing various international funds and their performance metrics.

Answers to Jumble and Dennis the Menace puzzles.





Eagles Beat Falcons on Field Goals

PHILADELPHIA — Two interceptions and a fumble set up three Tony Franklin field goals as the undefeated Philadelphia Eagles beat the Atlanta Falcons, 16-13, in a National Football League game Monday night.

The Eagles withstood a second-half rally in which Atlanta's Mick Luckhurst kicked a 35-yard field goal and, 12 seconds later, cornerback Kenny Johnson returned a fumbled kickoff return 20 yards to cut the Eagles' lead to 13-10 with 4:05 left in the third period.

Philadelphia made it 16-10 with 11:46 left in the game on Franklin's third field goal, a 43-yarder. Atlanta then drove to a first down on the Eagles' 13, and Steve Bartkowski threw to Jenkins in the end zone for a touchdown, but the play was wiped out by a holding penalty.

Luckhurst, an English import who was signed as a free agent, kicked a 43-yard field goal to make it 16-13 with 6:45 left.

Philadelphia's Ron Jaworski completed 17 of 26 passes for 161 yards and a touchdown.



Philadelphia's Al Chesley (59) slipping away from Atlanta's Mike Kern, right, after he intercepted a Steve Bartkowski pass in the first quarter to set up the Eagles' first field goal.

NFL Standings

Table showing NFL Standings for American Conference (Eastern and Western Divisions) and National Conference (Eastern and Western Divisions).

Table showing NFL Standings for Sunday, Oct. 11, listing teams like Cleveland of Pittsburgh, Los Angeles of Atlanta, etc.

Monday's Line Score: Kansas City 022 000 000-0 18 0, Cleveland 000 000 000-0 3 1, etc.

The Soccer Scene Caution: Slippery When Iced

By Rob Hughes International Herald Tribune

LONDON — If it is not too little or too late, here is a message for Soviet national coach Konstantin Beskov: Keep off the Turkish ice.

The ice in question is used to coat drinks. Obviously, we appreciate that Soviet players are mostly teetotal now that some of their colleagues have been benched for drunkenness.

Little else can bother the Russians in Ankara, where no World Cup visit has failed to triumph.

Such inequality is inconceivable in two other World Cup matches involving the Iron Curtain countries.

famboyant, less reliable neighbor. The Polish national unrest is apparent in its soccer.

The suspensions, ranging from two months to two years, were enforced when Poland traveled to Malta.

Nevertheless, Poland has warmed toward this friendly match to West Germany, 2-0, and East Germany, 4-2.

The Leipzig encounter is pure pistols-at-dawn between the mechanized Germans and their more

match in Leipzig will virtually decide whether the Poles reach their third consecutive World Cup finals, or whether the East Germans succeed for the first time since 1974.

Romania, meanwhile, is desperate for goals against the Swiss. The morning after Romania and Hungary drew, 0-0, in Bucharest to apparently damn England to failure in their group, a Romanian official was crying on the shoulder of England manager Ron Greenwood.

Apparently not. Ron The Romanians, with a mere four goals against three in six games so far, last played the Swiss in 1968 and 1969, winning both times.

What the Romanians fear is not so much Claudio Sulser & Co. from Switzerland, but their own inability to score. Since Marcel Raducanu defected to Borussia Dortmund they have no goalscorer, and while he telephones home to his wife and baby son and to his former teammates, they are stuck.

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A Relaxing Day Off With Billy Martin — Well, Not Quite

By Ross Newhan Los Angeles Times Service

KANSAS CITY, Mo. — Billy Martin, the Oakland manager, sat at a hotel bar here Monday afternoon swapping stories with friends while waiting for A's equipment man Frank Ciesczyk, listening via radio in the hotel lobby, to bring him reports on the first game of Kansas City's rescheduled doubleheader in Cleveland.

Martin absorbed the news, then slid a tongue into his cheek and said, "Makes you mad to think that Kansas City had the chance to go to Cleveland today and play a couple games while we're forced to sit here relaxing, drinking a beer or two."

The atmosphere around Billy Martin seldom stays relaxed for long, this occasion being no exception. He was soon talking about having been lied to by American League president Lee MacPhail and saying they could show the best of five series for the AL West championship, that it wouldn't start until Kansas City played two more makeup games because the Royals hadn't won anything yet.

Martin's anger didn't stem so much from the fact that the Royals, via their 9-0 victory over Cleveland, had clinched the Second Season title. Nor did it seem to stem from the fact that Oakland, the first-half titist and possessor of the second best overall record in baseball (64-45) compared to Cincinnati's 66-42) would now play two games here instead of just one.

Martin was angry at reports that the Indians had just gone through the motions against the Royals, saying, "If that's true, they should get the heaviest fine in baseball history. When is the commissioner going to stand up and do something?"

And he was angry simply because he thought the Royals, forced to go to Cleveland because they lost two of three to the A's here during the last weekend of the regular season, should have been forced to stay there a little longer, concentrating on anything except Tuesday's playoff opener.

It was Martin's understanding that the Royals had to play the second game no matter what happened in the opener. Martin said MacPhail had assured the A's that the Royals would have to play both games, that assurance coming last week when the A's agreed to let Kansas City skip a makeup game against Toronto so that the playoffs could open Tuesday as scheduled.

If the Royals had played and lost Monday's second game in Cleveland and a rescheduled game with Toronto (which would have been played Tuesday), the A's would have won the Second Season title and been rewarded with four of the five playoff games at home.

When the Toronto game was tossed out ("We gave up purity in the interest of practicality," MacPhail said Wednesday), the second game in Cleveland meant nothing. The Royals, in fact, could even have forfeited it after winning the opener.

"And they could have been fined \$500,000 if they had done that," Martin said.

That Kind of a Year: The controversy Martin generated when Ciesczyk told him the Royals were on their way back seemed an appropriate addition to a strike-torn season.

Nevertheless, "If you lie to me," Martin said, "I'll come right at your throat. A man's word is his bond. I'd have never agreed to letting Kansas City out of the Toronto game if I had known they were going to play just one game in Cleveland. I don't care if they had cleared the beach and used the pink dinks, they were supposed to play the second game."

"I'm going to make some calls. If I find out I've been lied to, I can show the mini-series. It won't start until the Royals play two more games. They can go back to Cleveland tomorrow, play in Toronto Wednesday and we'll open the mini-series Friday. If it's snowing in Toronto, they can play it here with Toronto the home team."

Martin's misunderstanding seemed to be more with his club president than league president. Eisenhardt acknowledged as much. He also said the playoff would open on schedule and that Martin would cool off by Tuesday.

College Football Polls

NEW YORK — The Top Twenty teams in the Associated Press college football poll, with first-place votes in parentheses, season's record and record of coaches' votes are listed below.

Table showing College Football Polls for the Associated Press, listing teams like Southern Cal (18), Penn St (14), etc.

NEW YORK — The United Press International's poll of coaches' votes on college football poll, with first-place votes and records to the right.

Table showing College Football Polls for the United Press International, listing teams like Southern Cal (14), Penn St (12), etc.



Managers Bill Virden of Houston, left, and Tom Lasorda of Los Angeles met between workouts at the AstroDome on the day before the start of their National League West mini-playoff series.

Baseball's Set for a Long October

NEW YORK — Baseball's strangest season this week introduced another new wrinkle — divisional playoffs created in the wake of the seven-week strike that divided the year into two separate but not necessarily equal championship series.

Four teams — Kansas City and Milwaukee in the American League, and Montreal and Houston in the National — who used the second season as a bid to post-season play, are opening the playoffs at home.

In Tuesday's games, Los Angeles was at Houston in the National League West and Oakland was at Kansas City in the American League West. The two East series began Wednesday, with Philadelphia at Montreal in the National League and New York at Milwaukee in the American.

The survivors in each best-of-five series advance to the league championship series, beginning Oct. 13, that will lead to the World Series, starting Oct. 20. Barring rainouts, the seventh game of the World Series, if needed, is scheduled Oct. 23, which would be the latest date in history for a championship baseball game.

The strike-interrupted season caused other oddities as well. Missing from the post-season lineup are the Cincinnati Reds, who had baseball's best overall record this season with a 66-42 mark but finished second to the Dodgers in the first half of the season and to the Astros in the second half.

"Here we are," said the Reds' president, Dick Wagner, "with the best record in baseball, yet we don't get any of the fruit."

Also absent from the playoffs are the St. Louis Cardinals, who had the best record in the NL East over the full season at 59-43, but also finished second in both halves, first behind the Phillies and then behind the Expos.

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In Columbus, Ohio, three fans filed and then dropped — a lawsuit seeking to stop the playoffs because of the split season, alleging that it has caused them "severe mental distress, psychological damage and permanent loss of faith in the integrity of major league baseball."

The three rotters for the Reds, Cardinals and Detroit Tigers, said they invested "large amounts of money, time and money" in following games before the split season was created. The suit, withdrawn Tuesday, sought \$150,000 and a declaration that Cincinnati, St. Louis, Milwaukee and Oakland were division champs, with the playoffs to begin in Cincinnati and Milwaukee.

Based on combining the standings of the split season, Milwaukee would have won the AL East by one game over Baltimore with New York finishing third, two games behind Oakland and under 500, at 50-53.

What Might Have Been: Based on combining the standings of the split season, Milwaukee would have won the AL East by one game over Baltimore with New York finishing third, two games behind Oakland and under 500, at 50-53.

In the NL, Cincinnati would have won the West by four games over Los Angeles and six over Houston, and the Cardinals would have finished two games ahead of Montreal and two and a half in front of Philadelphia in the East.

After being eliminated from the playoffs on Saturday, the Reds staged pro-game ceremonies Sunday and presented themselves with a pennant that said, "Baseball's Best Record 1981."

Because of the strike, which canceled about a third of the 162-game season, there were no 20-game winners among the pitchers and no 100-run-batters among the hitters this season.

Pittsburgh's Bill Madlock led the National League in hitting with a .341 average but because the first batting champion to do it with fewer than 100 hits. Madlock was 95-for-279 and had 320 plate appearances, one more than over the minimum he needed based on the formula used by statisticians.

NEW YORK — The United Press International's poll of coaches' votes on college football poll, with first-place votes and records to the right.

Table showing College Football Polls for the United Press International, listing teams like Southern Cal (14), Penn St (12), etc.

Reds, Conception Set 5-Year Accord For \$4.5 Million

CINCINNATI — Shortstop Dave Concepcion changed his plans to test the free-agent market Tuesday and signed the largest contract ever given by the Cincinnati Reds.

The 33-year-old Venezuelan agreed to a five-year guaranteed contract that will pay him approximately \$4.5 million through 1986.

"I believe it's the largest compensation package paid to a shortstop in major league baseball," the Reds' president, Dick Wagner, said in announcing the signing.

The Reds broke a long-standing policy by offering the guaranteed contract, under which Concepcion will be paid even if he is injured while playing and cannot perform.

The five-time Gold Glove-winning shortstop had one of his best years offensively in 1981 after having surgery on his right elbow. He batted .306, finished fifth in the National League with 67 runs batted in, and led for the league lead with 14 game-winning RBIs.

NEW YORK — Joe Frazier, the former heavyweight champion, said Monday he expects to begin a comeback next month against unbeaten Monte Hester. Frazier retired after being stopped by George Foreman in June, 1976.

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How the Standings Would Have Looked

Table showing How the Standings Would Have Looked for the American League.

Table showing How the Standings Would Have Looked for the National League.

Table showing How the Standings Would Have Looked for the American League West.

Table showing How the Standings Would Have Looked for the National League East.

Table showing How the Standings Would Have Looked for the American League East.

Table showing How the Standings Would Have Looked for the National League West.

Table showing How the Standings Would Have Looked for the National League East.

CLASSIFIED ADVERTISEMENTS

Large classified advertisement section containing various job listings, real estate ads, and service announcements under categories like EMPLOYMENT, AUTOMOBILES, TAX FREE CARS, etc.



Observer

Tightening My Belt

By Russell Baker
NEW YORK — President Reagan made it clear from the start that Americans would have to tighten their belts and make sacrifices, and I approved, so naturally when the mass-transit subsidy was cut I was startled because it meant shelling out 25 percent more for a bus ride.



Phoning the White House, I told the president "One of your people has made a little mistake and as a result the price of going to work has gone up 25 percent."

"Well," said the president, "as I said, Americans have to tighten their belts and make sacrifices."

I telephoned the White House. David Stockman answered. "I'd like to speak to Ed Meese, please."

"That's good and we approve of it around our way, but we didn't think you were talking about Americans like us," I said.

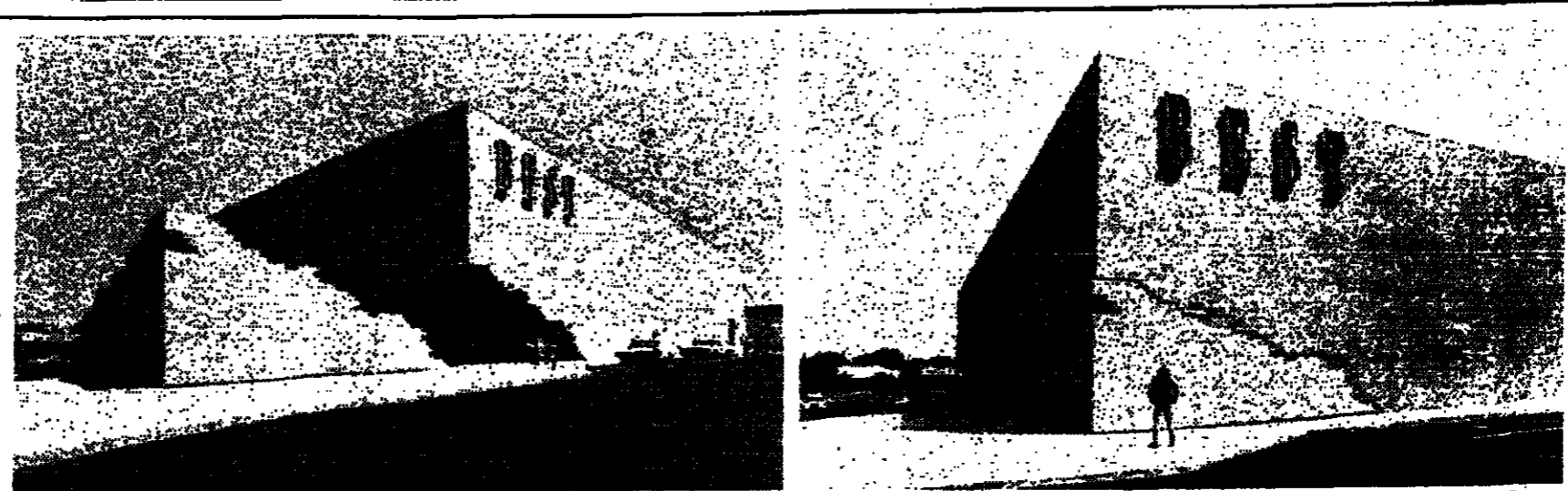
"I know that, but I thought he was talking about other Americans, not about me," I shouted.

The following week an entire family arrived with suitcases, trunks, furniture, daughter, son-in-law, baby. They had been kicked out of their apartment because they couldn't get up the money to buy it in a condominium conversion.

"I upbraided the son-in-law. 'If you'd gone into the army like I did in World War II, you could have bought the place with a 4 1/2-percent VA mortgage under the GI Bill,'" I said.

"Sure, old timer," said the lad, "and if I'd been born in 1840 I could have distinguished myself at the Battle of Gettysburg. Meantime, with interest rates at 20 percent, we're out on the street unless you take us in."

I telephoned the White House. The switchboard operator answered. "I'd like to speak to David Stockman, please."



Niche rolls forward to provide entrance to Sacramento store during day . . . and slides back into the building when the store closes for the night.

U.S. Firm Brings Sense of Humor to Its Stores

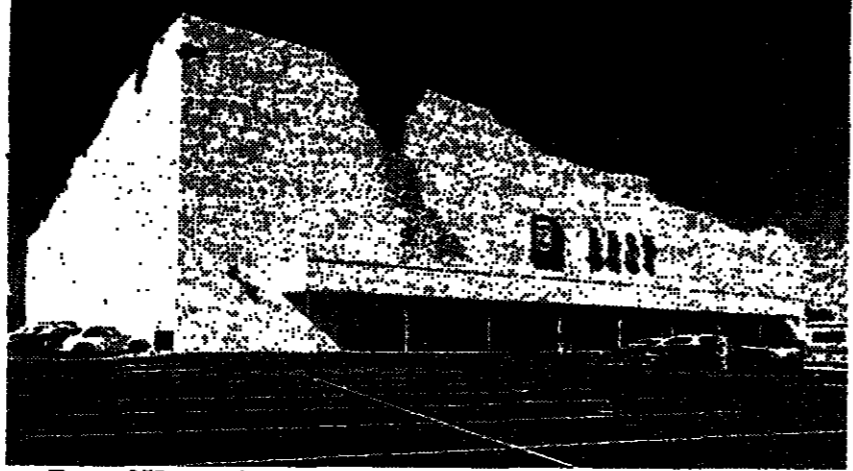
By George W. Wilbur
RICHMOND, Va. — Best Products Co. is projecting an unusual corporate image through storefronts that peel, tilt, roll back and crumble.

Best Products, founded 25 years ago by Lewis' parents, Sidney and Frances, operates 92 showrooms in 10 states and is scheduled to open seven more outlets this fall. Its annual sales exceed \$1 billion.

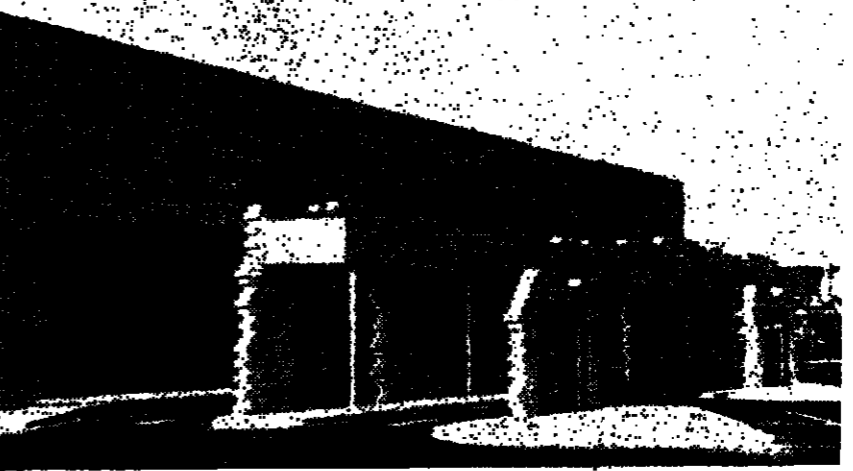
new false front for one of Best's showrooms in Richmond with a brick veneer that appeared to be peeling away from the building.

notch at one corner of a showroom is rolled out on tracks in the morning to reveal the main entrance, then is rolled back at night.

building has an entrance flanked by two 12-foot-high stone eagles. Outside is a cross between a medieval moat and an Italian Renaissance fountain.



Front of Houston building uses pile of bricks to create crumbling effect.



Miami showroom features four successively smaller facades.

PEOPLE

Loren and Ponti Art Ordered Confiscated

The Italian Supreme Court has ordered the confiscation of an estimated \$6.7 million worth of art owned by Sophia Loren and her film-producer husband, Carlo Ponti.

A former Illinois Supreme Court justice earlier was asked to issue a writ of habeas corpus for a man who had been sentenced to four years in prison and fined \$27 million, but had been in Italy for several years.

Welsh poet Dylan Thomas, who died after drinking 18 shots of straight whisky during a 1953 U.S. lecture tour, is to be honored with a plaque in the Poets' Corner of Westminster Abbey in London.

CLASSIFIED ADVERTISEMENTS

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